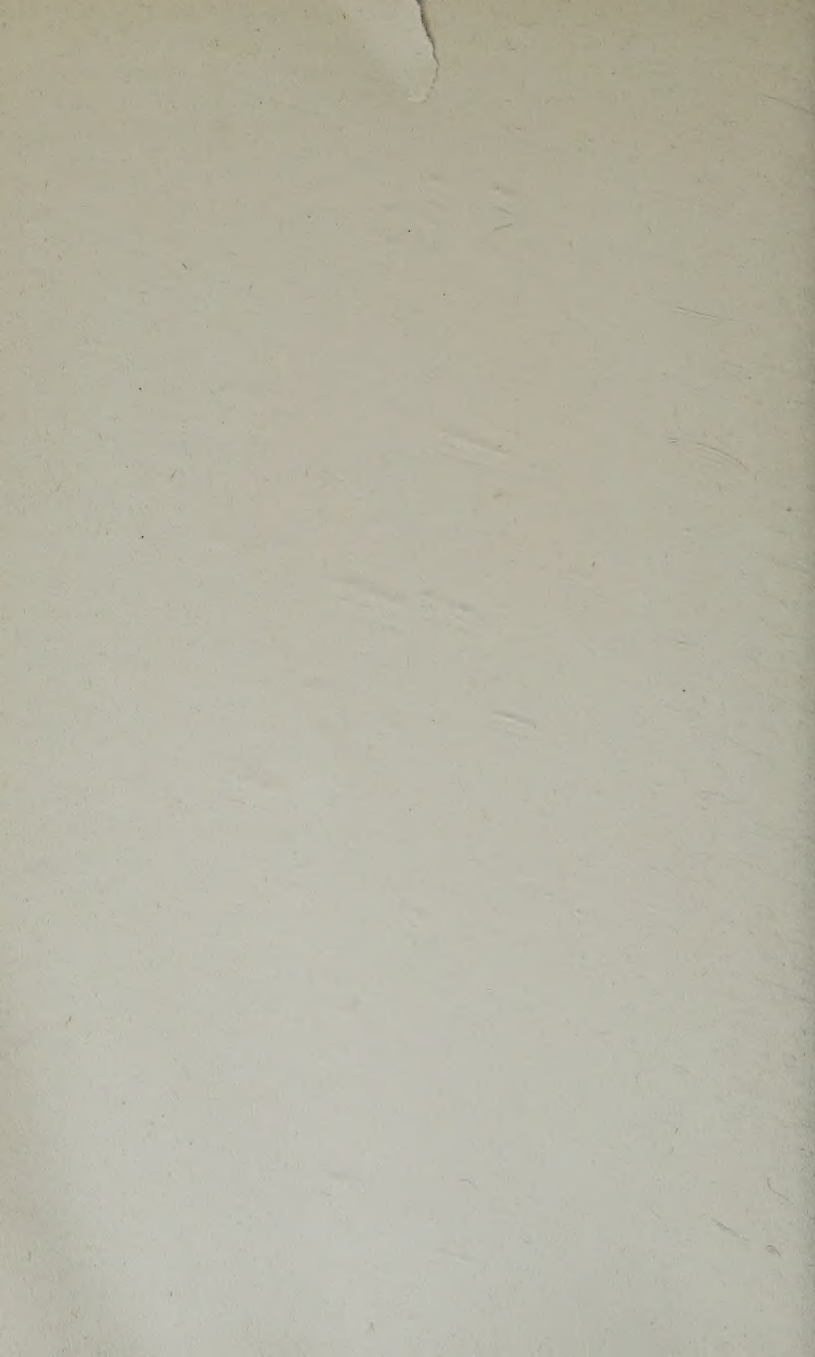
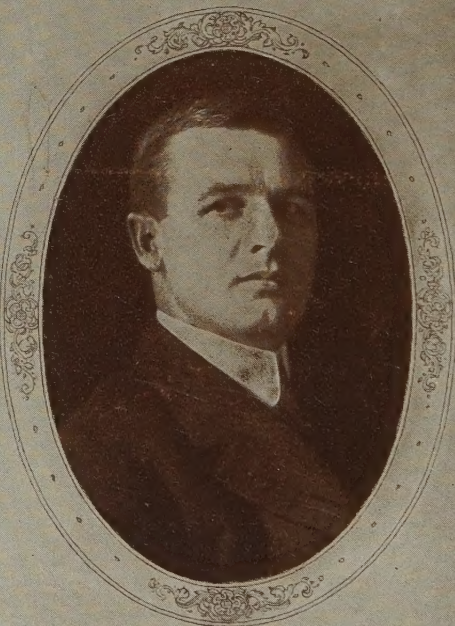


1911
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HUGH CHALMERS

President, Chalmers Motor Co., formerly V. P.
and Gen'l Mgr., National Cash Register Co.

THE AMERICAN BUSINESS MANUAL

A COMPLETE GUIDE TO
MODERN SYSTEMS
AND PRACTISE

EDITED BY

ROBERT H. MONTGOMERY

OF LYBRAND, ROSS BROS. & MONTGOMERY
CERTIFIED PUBLIC ACCOUNTANTS
EDITOR AMERICAN EDITION
DICKSEE'S AUDITING

VOLUME TWO

BUYING, MANUFACTURING AND SELLING

WITH INTRODUCTION BY

HUGH CHALMERS

PRESIDENT, CHALMERS MOTOR COMPANY
FORMERLY VICE-PRESIDENT AND
GENERAL MANAGER
NATIONAL CASH REGISTER COMPANY

P F COLLIER & SON
PUBLISHERS

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INTRODUCTION

SALESMANSHIP

BY HUGH CHALMERS

WHEN Christopher Columbus, after fourteen years of fruitless effort, stood in the court of Spain and convinced Queen Isabella that she furnish him three ships and men to sail them in an attempt to discover a western route to the East, he had consummated the greatest sale in the history of the world up to that time. He had made Queen Isabella feel as he did about the great idea which he had for sale. The hard problem with him was to get means for making the voyage. Any first-class mariner could sail a ship as well as Columbus could, and there were doubtless many men in the world who could have taken the ships across the ocean as well as Columbus did, but there was no one else who believed in the idea strongly enough to "sell" it to any one of a small list of prospective royal purchasers.

In the latter part of the eighteenth century a number of gentlemen were busy in the eastern part of what is now the United States trying to sell the people a revolution. They finally got the order signed at Philadelphia on July 4, 1776, and appointed George Washington general manager to see that the goods were properly delivered. That was a wonderful lot of salesmen, and the sale they made will be historic as long as men live.

In a broad way, therefore, every one is a salesman and every one is practising, or failing to practise, as the case may be, the principles of salesmanship, and these principles are simply the principles of influencing favorably—and not unfairly—the human mind.

It is a salesman's business to change minds, to overcome prejudices, to break down bad customs, soften stubbornness, and let the light of reason into dark places. What is more to be desired than the ability to influence the minds of men and to change them for the mutual good of the buyer and seller? Emerson said: "He is great who can alter my state of mind." He may have been thinking of salesmen when he said it.

And isn't life in general pretty much a matter of making other people feel as you do about something or other? About yourself primarily? How great and prosperous we should all be if only we could bring the world to feel about us as we feel about ourselves!

Salesmanship is a science and it is also an art. There is a certain fund of knowledge relating to the profession of salesmanship and a certain lot of principles by which the salesman consciously or unconsciously works, which amount to a science. By the *art* of salesmanship I mean the actual practise of selling goods—the actual calling on customers, the displaying of samples, the presentation of selling arguments, the taking of orders—the application in business life of the knowledge comprising the science. Between the science of salesmanship and the art of selling there is much the same difference as between studying law in a university and practising it in a court.

A great many men who understand the principles of scientific salesmanship are not successful salesmen. They come short in the application—in the practise. There are a great many people who can see in their minds beautiful pictures, and who understand pretty well the principles on which rests the painter's art, who can never paint good pictures. They lack the skill for the perfect application of abstract principles to concrete work which alone results in true art. For art is *doing* as opposed to *knowing*. It is the acme of man's accomplishment in any line of activity, whether it be selling goods or painting pictures.

I think salesmanship is as scientific as law, and in some respects the work of a salesman closely resembles the

work of a lawyer trying a case. When a case comes to trial we find the lawyer first making a preliminary general statement. He outlines all that he expects to do for his client. He announces that he intends to prove his client innocent on a half dozen counts, any one of which would be sufficient, and he enumerates them in order.

In the second stage of the trial we find him bringing in the evidence to support and prove the general statements made in his opening address. In the closing address we find him recapitulating all of the statements, arguments, and evidence which he has previously introduced into the trial, and closing it all with an appeal as strong and as tactful as he can utter to the emotions of the jury and the judge; an appeal that will bring about a final decision favorable to his client.

Now look at the salesman as he approaches his prospective customer. He makes a statement telling his customer in general terms what he has to offer. He makes certain broad claims for his article. He says it will save the customer both time and money, that it will do the work of two men, that it is the best thing of its kind made, and that the price is amazingly low considering the value. Then he goes on to submit evidence proving his statement, and finally he sums it all up, going over each of his arguments, pointing out again quickly and eloquently the advantages of his article, and trying with a final skilful appeal to bring about a decision in the mind of his customer. Thus we have the three steps in any sale—the approach, the demonstration, and the closing argument.

But salesmanship is something more than a science or an art—it is a principle—a principle of human relationship. It is the principle of the influence of one person on another. It is a fundamental principle, and it is universal in its working.

If I were asked to define salesmanship, I should say that: "It is simply making the other fellow feel as you do about what you have to sell." That is about all there is to it. You go into a man's office with something to sell. You feel that this man ought to possess, through

purchase from you, this thing that you have to sell. But the man you have called to see, who sits with an air of cool defiance behind the breastworks of his desk, is in a directly opposite state of mind. He feels that he ought not to possess, through purchase from you, the thing you have to sell. Now the only possible way you can make the sale is to make that man's mind come around into agreement with your mind. It is not even a case where you can meet your opponent half way; you can not make even a small compromise and still make a sale. You have got to sell him completely or you don't sell him at all; you must pull him full 180 degrees around the circle. When you have made him feel, just as sincerely as you yourself feel, that he should buy what you have to sell, then he will buy.

Show me a star salesman—a man who is a business builder as well as a business getter—and I will show you a man of strong character and attractive personality. The foregoing sentence contains the suggestion of what the training for salesmanship should be. It sounds the success keynote. What should be the salesman's equipment? We are sales managers now selecting men. What are we going to require of those we choose? Have my way and there would be ten requisites which we should use as a standard for measuring our candidates for this calling.

The first of these requisites is Health. A salesman must be in good physical condition all the time. Just like a race-horse, he must be ready to go when the bell rings. There was a time not many years ago when most salesmen injured their health with too much drinking and smoking and eating. But there is not so much of this nowadays; good salesmen have come to do most of their work in the salesroom instead of in the barrooms. The temptations for a salesman to drink too much, smoke too much, and eat too much are many, and it is only by constant vigilance that he can resist such temptations. His health depends on his power to resist, and in the long run his success depends upon his health. Good health influences others in your favor. It is a prime factor in bringing

your prospect's mind around into agreement with your mind.

The second requisite is Honesty. A man in business is nothing short of a fool who is anything but honest. A salesman who is not strictly honest has no chance at all in the long run. Modern business has made honesty popular. After all, there is nobody in the whole world who knows a man is honest but the man himself. Your wife thinks you are honest, and it is a mighty good thing to keep her thinking that way, but she couldn't prove it to save her soul. The only response to the question, "Am I an honest man?" comes from deep in the man's own heart, and he only knows whether the answer is what it should be. It is fortunate for some of us that some men insist on handicapping themselves with dishonesty, because if they were honest, coupled with their natural ability, some of us would not have a chance.

In order for a man to be a successful salesman he must have a strong mental equipment. He must have a keen mind, and, for the want of a better word to express this requisite, let us call it Ability. When you stop to think of it, men do not differ very much in their general make-up. As a rule, most men have two legs, two arms, two ears, a nose, a pair of eyes, and a mouth, and, considering the height, men weigh about the same. The difference is in their brains. Ability can be developed in a salesman. It can be developed by what he reads, by study, by the company he keeps. I have always said that a man's compensation should be made up of two parts until he gets to fifty years of age. He should say to himself, first, when considering any employment, "What can I earn?" and, second, he should put the letter L in front of "earn" and ask: "What can I learn?"

After Ability should be Initiative. That is the quality which leads a man to do things without being told. After a surgeon has you on the operating table and has made an incision, he can't say: "I must go look in a book and see if I am proceeding right on this fellow." No; after he cuts in, he has got to finish, whether it's your finish or his finish. Perhaps he finds conditions which he did not

imagine. Then he must "act quickly; that is initiative. Every day of a salesman's life he is confronted by all sorts of unexpected conditions when he must act, if at all, upon his own initiative.

Of course knowledge of the business is an essential for a salesman. The lawyer who reads the most law books and studies most is, as a rule, the best lawyer. The insurance salesman who can tell you offhand what insurance you ought to have and what it will cost you per thousand at your age, etc., always makes a favorable impression. You have confidence in him because you realize that he knows his own business. This is equally true in any line of business.

Tact is another requisite. Tact is the ability to tell a man the truth about himself without giving him offense. Tact never jumps out of a window until it sees a pillow to light on below. It is the ability to get along comfortably with many different sorts of people, and it is pretty hard to describe it any further than this. Some men have it or acquire it, and some others do not have it, or can not get it, and the latter class will never make successful salesmen.

Thoughts are intangible and yet they are very real, and they produce tangible results. Selling is just like throwing thoughts. You throw thoughts from your mind into the prospect's mind, trying to bring him around to your point of view. Now, you can not any more throw insincere thoughts at a man and have him catch sincere thoughts than you can throw an apple and have him catch a baseball. He is going to catch just what you throw if he catches anything at all. Hence Sincerity is a prime requisite for a successful salesman. Sincerity not only makes friends—it holds them.

A man might have all the fine qualities in the world and still, if he were indolent, he would not be successful. Salesmen must have energy and industry. The man who coined the expression "Always on the job" did a good day's work the day he coined it.

The best salesmen are those who are always trying to become better salesmen. They are the men who are

trying to learn and to improve. They are the men with the open minds. Open-mindedness is the willingness to accept suggestions. The man who knows it all is standing on the banana peel placed by the fool killer who is waiting for him with a club just around the corner.

The last of the requisites is Enthusiasm. A man might have honesty, health, ability, initiative, knowledge of the business, tact, sincerity, industry, and open-mindedness, yet without enthusiasm he would not be a success. Enthusiasm is the white heat that fuses all of these other qualities into one effective mass. A little illustration: take a piece of blue glass and a sapphire. You can polish that glass until it has a surface as smooth and hard as the sapphire's. But when you look down into them you see thousands of little lights shining up at you out of the sapphire, that you can't see in the blue glass—and you never can get out of the blue glass those little tongues of flame which just seem to leap out as you look at the sapphire. What these little lights are in the sapphire, enthusiasm is in the man. Some men are almost irresistible; it is because enthusiasm radiates from their features, beams from their eyes, and is present in their actions. A man might be made to order with the proper proportions of all these other nine things I have mentioned, and yet, if he lacked enthusiasm, he would only be a statue.

When I was working as a salesman myself, I was always trying to analyze successful men for the purpose of finding out the reasons for their success. I found that without exception successful salesmen had all of these qualities in proper proportions. Later, when I became sales manager and had to employ, train, and supervise men, I had these ten requisites on a blackboard in my office, and I used them for measuring men, for discovering their weak spots, and always have found them very helpful.

There is a peculiar thing about these ten requisites. Only one of them has to do with a man's business, and nine of them deal with the man himself, which simply goes to show that success in salesmanship, as in nearly all other branches of human endeavor, is a matter prin-

cially of personality, of the development of the individual. Men are greater than their work and their words always.

It is easy to employ men and easy to drill into their minds a certain amount of knowledge about a particular line of business, but it is not easy to develop in them the other qualities—the qualities of their own character and personality, which are the real essentials of success.

You can take two men equal in appearance, and you can teach them both exactly the same things about the business or a line of goods. Then you can send them into equally good territories. One of them will make a record, the other will make a failure. Knowledge of the business is the least important of the ten requisites. I have proved it to my own satisfaction hundreds of times that salesmanship is nine-tenths man and one-tenth territory, or nine-tenths man and one-tenth business, however you wish to put it.

When I was selling goods and a man would not buy what I had to sell, I always put forth a determined effort to get at the *real reason*. Excuses are not reasons. Men will find all kinds of excuses for not purchasing, and it is often difficult to know the reason. You can never make a sale under these conditions until you get at the real objection in the mind of the customer. You can not answer the objection and get it out of the way until you find out just what it is. One time I was making a demonstration to a merchant and he had listened carefully to everything I had said. He had admitted the value of what I had to sell, but still I couldn't get his order. I talked with him for a long time and tried to convince him, but in vain. Finally it was getting quite late, and I arose to go. I said to him: "Now, Mr. Smith, I am not going to bother you any more to-day, and now that I am going away I want to ask you, as a personal favor to me, to tell me the *real* reason why you haven't signed an order. You said it was because you thought the price too high, but I know that this is not the *real reason*. Price is no object to you when you realize the value of the article. You sign checks every

day for much larger amounts than my machine calls for and you never think anything of it. Now won't you, just as a favor to me, now that I am going away, give me the real reason why you haven't bought?"

"Well, I'll tell you," he said. "The real reason is that I have a helper here named Henry, who has been with me for fourteen years, and I am afraid he wouldn't like it if I bought this thing, and I can not afford to lose him, so I just don't want to get it on that account, and this is the real reason."

"Where is Henry?" I asked.

"He is back in the warehouse."

"Would you mind if I just stepped back and talked to him a couple of moments?"

"No, certainly not."

I went back and saw Henry. I explained to him who I was, and told him that I had a machine up at my sample-room in the hotel that I was very anxious for him to see, and that I would appreciate it very much if he would come around after supper that night and let me show it to him. Henry agreed to come, and when he was ready to leave me that night I had his full endorsement of my proposition. Next morning it was only a matter of form getting the old gentleman's name on the order. In this instance salesmanship was nothing more or less than finding out the real reason for the customer's refusal to buy. If I hadn't discovered his real reason I might have thrown selling arguments at him for a week without satisfactory results.

Sometimes by a little bit of daring a salesman can make a short cut and get an order signed which otherwise he could not get. I was once sent to sell a high-priced article to a big business man who was known as a typical "hard customer." I got along with him pretty well for some time, and had, in fact, finished my main selling talk when he suddenly got nervous and cut me off with, "Well, your proposition is all right, but it costs too much money," and he got up as though to end the interview.

I looked at him squarely and said: "Mr. Jones, that is

an objection we often hear. You are well enough acquainted with the selling methods of my company to know that its salesmen have been supplied with more than fifty different answers to that one objection, and you have heard me long enough to know that I am acquainted with every one of these answers, and that I can use them all. These answers contain arguments so forceful that they will convince you or any other man, and I know if I use these arguments here I can get your order. I know I can do this because I never have failed to do so under similar circumstances, but it will take me two hours to make these arguments. It is just a question of whether you sign this order now or two hours from now. Your time is worth a good deal of money. Here is an order blank."

He signed it.

Another rule which I always found to be a good one was "never leave business to look for business." When we are in the woods and want to rest we find what looks like a nice spot, but we are no sooner seated than another place a little way off looks greener and more inviting. We go over there, but only to find that it is no different from the place we left. The same thing is true, generally speaking, in business. Business where you are is as good as business where you are going.

A salesman needs some kind of a schedule to help keep himself hard at work. There is a tendency in every man that sometimes tempts him to slow down. When I was on the road, I had slips printed showing the days of the month from the 1st to the 31st. I estimated my expenses for the month, and made up my mind that I must make my expenses by the 12th of the month. Every dollar up to the 12th of the month went for expenses. Every dollar after the 12th of the month was for profits. Thus, you see, I was always working against my schedule—against myself. There is nothing like competition and the spirit of a contest to bring out the best a man has in him. Before the 12th of the month it kept me going to make expenses, and after the 12th, you may be sure, I worked to the limit to build up profits, because that money was go-

ing in the bank as capital. When I got to the 31st of the month I held on to a prospective buyer like grim death, because I knew if I made a sale on that day I could write the commissions in my profit column, whereas if I let it go until the next day the commissions had to go against expenses on the next month.

Salesmen need systematic training. Of course the day is past when men are employed in the morning, given their samples in the afternoon, and sent out at night into their territory. But even so, in many quarters there is a wilful want of the proper kind of training for salespeople. The greatest need of most retail establishments, especially to-day, is a training school for salespersons; I do not mean an elaborate school of any kind. Any gathering of ten, twenty, or fifty persons where any kind of instruction is carried on is a school. No business with which I am connected in an executive capacity shall ever be conducted without the proper training of employees.

I think a man should always carry his samples right with him and have them all ready for display. Some salesmen I have known go into a town and leave their samples at the station because it is a good deal of trouble to get them unpacked and properly displayed. With their samples at the station they go around making calls ostensibly for the purpose of trying to get some merchant to say he would like to see the samples. Under these conditions, of course, the salesman is working half-heartedly. All the time he is talking to a man trying to interest him in the samples, in his heart he is hoping the prospect won't say yes, because that would mean so much extra work for him. Many salesmen find it especially hard in very hot weather to get their samples unpacked the first thing after they get into a town. A salesman should make it an absolute rule to set his samples up properly the very first thing. Then, if the weather is hot, he will certainly see to it that somebody looks at those samples after all the hard work and trouble he has been to getting them unpacked.

You have been in stores where the salespeople acted as if they were doing you a favor to sell you anything,

and you have been in other stores where they were so nice to you that you felt you simply couldn't go without buying something. That marks the difference between failure and success in retailing. What a fine thing it would be for the merchant and for the public if salespeople were taught nothing more than to always be courteous.

As an employer of salesmen, I have found that the traveling expenses of a poor man are just as heavy as those of a good man. Hotels charge as much per day for the poor man as for the good; railroad fare is the same; Uncle Sam and the express company charge as much for postage and expressage. Since the expenses are the same for weak and strong salesmen, what are a few extra dollars in compensation or in training to make the difference between a good man and one of inferior ability?

In managing salesmen I always made it a rule never to send a man out until he had sold to two people. First, he had to sell to me; second, he had to sell to himself.

In employing a man on commission where he had to advance expense money, I would always say to him: "How much money do you want to borrow?" The usual reply was: "I don't want to borrow any money." And I always said: "Oh, yes, you do; you are going into business for yourself. You want me to advance money for your expenses. I am charging this to your account. How much do you want to borrow?" This makes a man feel his responsibility.

Salesmen need encouragement. They receive so many rebuffs in their daily work that it is nothing short of cruelty for them to receive anything but good treatment at the hands of their house, and especially of their sales manager. To sales managers I would say above everything else, don't write sharp letters. Warm words dictated are only cold type when the salesman receives them. The man who gets the letter was not at your elbow to hear the enunciation of your words when you said them. Many a man has been knocked out and rendered useless for several days because of a hasty letter. Any salesman

knows that there are days when he feels that he could lift his hotel from its foundations and other days when he doesn't care if it falls on him. The sales manager who writes the kind of letters, or whose general attitude toward his man is such as to increase rather than lessen the number of days when the salesman doesn't care if the hotel falls on him, is not a success. His volume of sales will fall off just as sure as frost will come in the autumn. Men should be criticized, their mistakes should be pointed out, but you must not take away their enthusiasm. Put a damper on the optimistic spirit of a salesman and you have done your business a harm which it will take the best salesman you have days to overcome. If you are an executive, remember that your men are human. Remember that what we may call—for want of a better term—the *heart influence* is the most potent factor in winning sales, and that honest praise is the great inspiring force that leads your men on to victorious assault of the strongholds of business.

The art of salesmanship is sanctified by difficulties. It is difficulty that makes all art sacred. Anybody can do the easy things; it takes good men to accomplish the difficult. Proficiency in the art of salesmanship is as admirable as proficiency in law, or medicine, or engineering. Some day, if it does not now, the world at large will recognize the fact. Even now it practically admits it, because it pays its good salesmen just as well as it pays its good men in other professions. The world pays for services rendered, and its sense of value is not warped by any twaddle about "the learned professions."

There is no work in the world better for the man who is doing it than salesmanship, because it calls for the application of knowledge to specific cases. We evolve through contact. It is the polishing surfaces that makes the diamond marketable.

A salesman is one who takes things from where they are to where they ought to be. Helping to distribute things is the salesman's greatest service. Distribution has come to be the world's greatest problem. In the solution of this problem the salesman, backed by advertis-

ing, is the most perfect factor. In a primitive state of society we find each family going it alone to a very large extent. Each little group is sufficient unto itself, making all that it needs to supply its wants. There production is the greatest problem. But now the problems of production have been largely solved; it is easier to make than to sell, easier to supply the demand than to create a want. Glance over the classified wants of a newspaper day after day. You will find them crowded with advertisements for men who can sell goods. Men are wanted to distribute the things that the fields and factories are pouring out.

Have you ever stopped to think how much good salesmen do in individual cases? A salesman is a man with the courage of his convictions; he is one who will not take "No" for an answer. How many men are there who owe their success to some salesman's refusal to take "No" for an answer?

Across the street is a prosperous-looking store that was on the verge of bankruptcy a couple of years ago. That store literally was going to seed when a salesman came along and sold the prospect a machine that takes care, automatically, of all his cash and credit transactions, and puts his whole business on a clean-cut system. The man said he didn't want the machine, but the salesman would not be put off. Once I had occasion to collect some first-hand statistics, and I found that one-third of the total number of storekeepers in the State of Ohio did not use cash registers. I found also that three-fourths of all the failures in the State in one year occurred among the one-third mentioned. And yet cash registers almost always have been sold—they are seldom bought.

Over there is a young man who is making good. A year ago he was in a rut that led nowhere in particular. He was tired, discouraged—his chance for success looked slim. Why his present happiness? A salesman found him and sold him a course of correspondence instruction. Study livened his dormant faculties, showed him his possibilities, and now he will surely win. He told the salesman he didn't want the course, that he wouldn't take

it, couldn't afford it, didn't have time to study, and made a dozen other objections. But the salesman didn't believe him—he substituted right beliefs for false ones.

Whatever you really need you pay for, whether you ever buy or not. The man who needs an adding machine pays for it many times over by the time and mistakes it would save. The merchant who needs advertising pays for it many times over in the trade that passes by his door; the salesman who doesn't believe in advertising pays for his wrong opinion in the "almost sales" that advertising would have helped him close; the family of the man who didn't believe in life insurance pays the premiums in suffering after he is gone.

And this brings us to where we can see that in every good sale the salesman renders a service to the buyer which is not compensated for by the price of the article sold. Does the price of the life insurance represent the value received by the family of the insured? Does the cost of a good book in any way measure the value of the book to the buyer who intelligently studies it? Suppose all clothing houses and tailors would refuse to sell you an overcoat next winter, would you save the price? Even if you put the money in the bank? No, you would pay the price many times over in discomfort and ill health.

It is a realization of this service which is not covered in the purchase price that must ever afford to salesmen a great pleasure in their work. There is many a man sitting back to-day complacent over his success, and entirely satisfied that he did it all himself, who owes that same success entirely to the fact that a good salesman couldn't hear him one time when he said "No" and stayed and made him say "Yes."

To be a good salesman is to be something very much worth while, for salesmen serve. And those who serve most, prosper most—they win, even when they seem to lose.

X

PLANT

Rise of Manufacturing in America—Effect of Increased Demand—Introduction of Modern Machinery—A Pioneer Manufacturer—Specialization—Three Essential Points—Location of the Plant—Features of the Modern Plant—Transportation Facilities—Executive Head of a Plant—Departments—Following the Work—Grades of Employees—The One-building Plant—Plant Efficiency.

X PLANT

THE extent to which manufacturing has been developed in the United States during the last century is nothing short of phenomenal. Previous to that time, agricultural pursuits comprised the sphere of activity demanding the greatest amount of attention. Among the products of home industry were a few articles of food, clothing and domestic utensils, but the few conveniences for manufacturing rendered all such articles excessively crude in construction as well as limited in variety. Before the American Revolution English laws stipulated that manufactured articles required by the colonists should be purchased largely from the mother country. Permission was granted to buy in other markets as well, but the excessive duty or tax laid upon foreign manufactures was such as to render their price almost prohibitive. These and similar grievances had an important bearing in deciding the American colonies to declare their independence, and from that time, simultaneously with the removal of trade and manufacturing restrictions, a new impetus was given to American manufacturing, which has continually expanded until at present the capital invested in American manufactories and the volume of their output exceeds that of any other country.

Rise of Manufacturing in America.—Manufacturing in America originated on a small scale, and was confined to the production of articles for household use. A person possessed of a greater degree of skill than his neighbors, in the working of wood, metal, or other material, would perhaps set aside a room or attic in his dwelling house. With this as a workshop, a few hand tools and perhaps

a small turning lathe operated by a treadle, he would manufacture articles of a certain description to supply the wants of the immediate neighborhood.

Effect of Increased Demand.—As the demand increased, provision had to be made for satisfying the same—assistants had to be hired. Frequently two or more persons would enter into partnership and combine their forces, making necessary the erection of more commodious quarters.

If money was needed for improvements in a greater amount than was possessed by the manufacturers, recourse was had to outside sources. In this way a combination of skill and capital was effected—the two essential requirements for the successful conduct of any form of business venture. The mechanic of earlier times was severely handicapped in his work by the scarcity of tools at his command. These were, as has already been stated, almost entirely of the hand variety, and production in many cases was limited to such articles as might be manufactured through the agency of the spinning-wheel and hand-loom.

Introduction of Modern Machinery.—The introduction of machinery and machine tools caused this class of industry to grow by leaps and bounds. Production was increased proportionately, resulting in benefit both to the employer and the workmen, while at the same time the workmen's duties were rendered considerably less onerous by virtue of the marked reduction in manual labor accompanying their use.

About the beginning of the nineteenth century another innovation of the utmost importance was introduced, *viz.*: the standardization of machinery parts. Some few constructions had been created previously, but no effort had been directed toward making similar parts of exactly equal dimensions. The various elements were fitted to each other with a greater or less degree of accuracy, but such a thing as a system of gages or standard sizes was unknown.

The milling machine, through the agency of which it becomes possible to fashion any number of surfaces according to some preconceived design, and with a degree of similarity and exactitude impossible of attainment by hand, was one of the first mechanical appliances to contribute toward standardization, and therefore toward the increase of factories.

A Pioneer Manufacturer.—A pioneer in the field of mechanical invention was Eli Whitney, of Connecticut. One of his chief claims to fame is based upon his invention of the cotton-gin. Whitney made one of his boldest ventures into the realm of manufacturing when he undertook to supply the United States Government with ten thousand muskets. The time granted for the fulfilment of the contract was such that his facilities were inadequate to the demand. He secured a water-power site and proceeded to erect a factory of greater dimensions. A great deal of special machinery had to be designed and constructed, and men trained in its operation. As the work progressed, the fame of the New England factory extended far and wide, and many notable persons both from this country and abroad visited it to view the new machinery and the application of the methods that he had installed.

Owing to some unforeseen difficulties, Whitney was unable to deliver to the Government the required number of muskets, at the specified time; but in view of the superior quality of the product, and possibly other considerations as well, an extension of time was granted him in which to complete his contract.

Whitney's factory marked the beginning of a golden era in the history of manufacturing in the United States, an era rich in achievement which has extended to the present day. Each year has been marked by the introduction of some new article, or by improvements effected in the method of manufacturing the old, and he would be a bold prophet who would venture to prescribe a limit to the flights of invention or constructive genius in the years to come.

Specialization.—Another important development, side by side with standardization of equipment, may be called specialization. This relates to the workman himself rather than his tools, and signifies a system wherein the time of each workman is devoted exclusively to the performance of one particular operation.

It necessarily follows that from constant repetition the workmen will acquire a remarkable degree of proficiency, which enables them to accomplish more and better work than if they were constantly being changed from one thing to another. In a shop equipped with a full complement of tools, measuring devices, etc., work passes along, step by step, without delay. Each workman, as the article or part reaches him, subjects it to a certain treatment or process, and passes it along to the next. If parts are to be shaped to conform to some given standard, his gages and other measuring devices may be set to the proper size, but even if individual measurements are required, the liability of inaccuracies is thus greatly reduced.

Three Essential Points.—The modern manufacturer of any article or commodity must keep three essential points constantly in mind:

1. Improvement in quality of goods.
2. Increased volume of goods.
3. Decreased cost of production.

All of these points have been and are constantly being furthered by the standardization of machinery and specialization of workmen already referred to. But there are other features quite as important in their way, among them the question of the plant itself.

Location of the Plant.—Nowadays the progressive manufacturer must exercise every caution in choosing a site. This has already been discussed under *Organizing a Business* (p. 24), but will bear further emphasis. In the proper location of a modern plant and the construction of the various buildings required, a number of features must be taken into consideration. Probably the first question to draw the attention of the owner or

builder would be that of the cost. Many locations, admirable from other standpoints, are wholly out of the question when the cost to purchase or rent is considered.

Fortunately, however, for the manufacturing interests, land suitable for factory sites can be obtained in suburbs or suburban towns practically as suitable for the purpose and at a great deal less than metropolitan values. In many instances, municipalities have offered houses and privileges to large concerns to induce the location of a factory in their town, considering that the benefit of the increased population and the consequent trade such would attract, and the prestige which would accrue to them, would be sufficient return for any bonds or privilege granted. It is very seldom nowadays that large manufacturing plants are centrally located in a large city. They are rather to be found in the suburbs of small towns, which in some cases have grown up around the factory, and are populated by its employees. Several instances might also be cited where towns have taken the name of a prominent concern or one of its officials.

The welfare of the employees also has a direct bearing upon the question of location. All manufacturers, however, are not influenced to the same extent by this consideration. In the cities, particularly, too little thought is given to the sanitary conditions under which scores and perhaps hundreds of men or women exist and labor for a considerable portion of each day. Where rents are high, all available space must be used to advantage. Dark rooms, attics, cellars, everything is pressed into service. The periodical visit of the health official is known and prepared for in advance, but matters frequently take their usual course as soon as inspection is completed. The majority of the employees can not afford to be overparticular about the character of the place in which they work. Knowing the risk they run of losing their positions through complaints, they suffer in silence. Others again are ignorant of the consequences of living among impure surroundings, and were it not for the health boards, sanitary commissions, etc., would probably

live and die in their ignorance. Such is the darker side of the problem.

Many large concerns of the present day, however, will not locate their manufacturing plants in, or even near, a large city, provided a site can be secured with adequate means of communication, either by rail or water, with the outside world.

Features of the Modern Plant.—To the credit of modern builders, be it said—credit which is due also in no small degree to modern legislators who have created laws and provided for their enforcement against unscrupulous owners—the up-to-date factory is a marvel of construction, in so far as provision is made for the safety, health, and comfort of the employees. Modern practise in factory building adheres to the plan of making the majority of the buildings not over one story in height, although the office building may be two or three stories high, and the upper floors used as quarters for the engineering or drafting departments. In the buildings erected for the actual work of manufacturing, more than one floor is seldom employed. Quite frequently skylights are made in the roof, which admit light to all parts of the building. Additional floor space is sometimes obtained by increasing the height of the walls, permitting of the construction of galleries, which do not obstruct the entrance of light into the body of the room. The plant is not housed in one building unless it is comparatively small, but even here special quarters are assigned to machines the operation of which is accompanied by an element of danger or of unpleasant odor.

While the general architecture of a factory building is governed to a great extent by the character of the business, a feature frequently noticed in any modern factory is the size and number of the windows. This is seen particularly in many large electric light and power stations in larger cities. Due to the cost of land, and other considerations, these buildings are usually composed of a number of floors, complete or partial. Windows extend the full height of the building, and are made of a

series of units resting on pivots, which open and close after the fashion of a Venetian blind. These when open afford the maximum degree of ventilation, and permit the free escape of heated air, gases, etc.

A different style of building construction is required by firms engaged in the manufacture of dangerously combustible or explosive materials. Buildings greater in number, but smaller in size, are the rule where there is special danger of fire or accidental explosion. Thus a smaller area will be directly affected, and the damage to property and loss of life will probably be lessened. Such a plan of construction, however, is of special application, and in the great majority of manufacturing plants where no special menace to safety is encountered fewer buildings, each covering a greater area, are more commonly employed.

Transportation Facilities.—Too much stress can not be laid on the desirability of placing a factory where raw materials may be received and the products placed in the hands of the consumer with the least expense for carriage and handling. Remoteness from a means of transportation has frequently been a serious hindrance to overcome, particularly when the nature of the business was such that its location could not be changed. This is particularly applicable in the case of mineral deposits, which may be comparatively rich, but are so inaccessible that the cost of transportation for machinery or ore renders their operation impracticable.

Industrial ventures are not always free from similar hindrance to successful operation. In one instance where a railroad ran by the side of a stream in a deep ravine, a mill upon the opposite side was operated at a loss, or with a very small margin of profit, on account of the expensive roundabout haul necessary to effect a connection with the railroad. The expense of building a bridge to span the ravine was too great to permit this solution of the problem. The difficulty was finally overcome, and a loss turned into a substantial profit, by stretching heavy aerial cables from the mill to a point close to the railway

tracks, which were successfully utilized for the transportation of goods.

The ideal location, from the standpoint of transportation facilities, would be one having a dock frontage, and also connected with either the main line or a branch line of a railroad. The ability to run freight cars into the plant is practically an absolute necessity where very heavy articles are manufactured. Usually, in such cases, a spur of the track traverses the length of the erecting shop, and is so situated that the cars may be loaded through the agency of the traveling crane. Tracks are also laid connecting the various departments, so that heavy articles may be moved from one shop to another with the minimum of labor. Cars used only in the plant are made small and light so as to be propelled by small motors, or by the workmen themselves.

Executive Head of a Plant.—In the executive office of a manufacturing plant, as well as in its practical work, changes have been made in order to satisfy the modern demand for accuracy and rapidity. Formerly an official carrying the title of superintendent bought all the supplies and raw materials, inspected them and distributed them to the foremen. In addition to these duties, it devolved upon him to exercise a general supervision over the work. Countless other duties would also arise to take his time, with the consequence that any oversight he was able to give to the work was of the most cursory kind.

The drawbacks of such a system became apparent in time, and in the majority of factories the duties of the superintendent are now limited to those to which the name would apply. The buying is given into the hands of the purchasing agent, and an inspector is employed to examine the purchases. Receiving clerks, storeroom clerks, etc., are appointed and held responsible for the receipt of goods, and the proper care of goods in stock. The selling end of the business is given into the hands of a sales department; the financial standing of prospective customers is investigated by a credit and collec-

tion department; a production engineer determines the amount of work to be performed, and the sequence to be observed in filling orders, and an assistant superintendent is detailed to oversee minor features about the plant. By this systematization of duties, the superintendent is relieved of the routine details that formerly had occupied his time, leaving him free to exercise a more thorough supervision over the plant, and direct the heads of departments in their work.

Departments.—The departments of a manufacturing plant vary, of course, with its size. In a large plant they are usually seven in number: 1. A power plant; 2. A process department; 3. A foundry department; 4. A forging department; 5. A pattern-making shop; 6. An assembling and erecting shop; 7. An engineering department.

1. The power plant is usually placed in a separate building, and furnishes light, heat and power. It consists of the usual arrangement of boilers, engines, dynamos, pumps, etc. Formerly no choice was permitted regarding its relative location. It had to be where the transmission of power by shafting and belting could be most easily accomplished. Since the advent of electricity, however, the ease with which electric power may be transmitted any distance through wires has made it possible to locate the power plant where most convenient, usually by the side of the railroad track, where there are facilities for unloading fuel and removing waste.

2. The process, or general manufacturing department, usually occupies a number of separate buildings, each, or part of each, being devoted to some particular process. These buildings may be situated side by side, with sufficient space between them for a passage, and to admit light from all sides.

3. The foundry is usually located at some little distance from the rest of the plant, so that the dust and smoke may not interfere with work in other departments. Connection is made with the other departments by means of the shop track, and it is also advisable that the railroad

track be permitted to enter the building for greater convenience in loading heavy castings. A branch of the same track extending along the side of buildings is a great convenience for delivering fuel, pig or scrap iron, and sand.

4. The forging shop is usually connected with the manufacturing end, and may be of large or small capacity, according to the character of forgings required. In some plants it may be connected with the foundry.

5. The pattern shop provides all patterns required by the foundry or elsewhere, as well as special pieces or castings of experimental or other nature. This should have a well-lighted room or series of rooms, not too far removed from the engineering department.

6. The assembling and erecting rooms are connected with the various branches of the manufacturing department by tracks and traveling cranes, and also admit a spur of the railroad for facilitating heavy work.

7. In the engineering department, engineers, draftsmen, etc., are engaged in preparing the plans, drawings, and specifications for the work, and are usually assigned a floor in the main office building.

In addition to the above mentioned departments a plating department may be necessary, wherein all plating with brass, zinc, nickel or precious metals is effected.

There may also be a carpenter shop, a paint shop, store-rooms for supplies and completed products, a tool-room, and an experimental room, each of which should be located so as to be most convenient for their purposes. With small articles, it is usually sufficient if the shipping room is so arranged that a truck or a number of trucks can be placed where they may be loaded from a platform with the least handling possible.

Large and heavy articles should be loaded by being deposited on the cars in the erecting room. In such an event, the clerical work connected with the shipping could be performed in the office building.

The general office or administration building may have any number of floors. The first one or two are reserved for the work of the administration and accounting, while

the upper floors are given over to the engineering and drafting departments.

Following the Work.—Tracing the work in its progress through the various departments may be of interest. Granted that the engineering and drafting departments have performed their duties, the pattern-maker is furnished with all the necessary plans, drawings and specifications, from which he is to construct the pattern. This work calls for a high degree of skill, and requires absolute accuracy in its execution. When the pattern is completed, it passes into the hands of the foundrymen, who use it to form an impression in sand, into which molten metal is run. This, when solidified, has the same form as the pattern, but is comparatively rough and may require dressing. Perhaps a part is required possessing a greater degree of strength than a cast article. In this case, the forge shop is called upon. A different quality of metal is heated, and through the agency of hammers, anvils, and other tools of the trade, it is beaten into the shape required. The forgings and castings next pass to the manufacturing department, where all the processes of planing, shaping, filing, drilling, turning and polishing are performed, resulting in the production of a finished part. Meanwhile, the other parts of the construction have been undergoing similar treatment, and all are passed along to the assembling room, where the various parts are joined in the proper manner into the completed product. This is tested in various ways, and if found perfect, and a customer is awaiting, is loaded upon a freight car and shipped; and so far as that particular construction is concerned, the duties of the manufacturing end of the plant are at an end.

Grades of Employees.—Noticing briefly the personnel of the force of the average factory, one finds in direct control a factory manager, who gives his orders through a superintendent. The superintendent passes the order along to the foreman, of whom there may be several, one over each department. Under the foremen are a number

of gang bosses, who in turn oversee the work of a number of men. If a report has to be made when work is completed, it passes, step by step, from gang boss to foreman, and from foreman up till it reaches manager. This has a strong resemblance to red tape, but a certain procedure must be adhered to if things are to move along smoothly, and by following such a method no dissatisfaction is ever created by one official over another's head. The only exception to this unwritten law applies to cases where an important official may detect a breach of discipline, careless or injurious use of tools or machines, waste of material or actions which endanger life, in which event he may demand that the action, whatever it is, should cease immediately, bringing notice to the person in charge of the offending workman.

All official communications should be written and duplicate copies preserved, as in this way alone an accurate record of events is available, and responsibility can be traced to the proper place.

The One-Building Plant.—While we have here considered plants of several buildings or departments, the same general rules will govern the factory confined to a single building. The first requisite is so to receive and assign material as to eliminate unnecessary handling. How often have we seen shops of the older type, whose receiving and delivering rooms were at some out-of-the-way corner of the building, thus necessitating long carrying distances and inconvenient distribution. The modern shop will have such distributing points located in some central room, convenient to the hauling platforms on the one side, and to the workrooms on the other.

Material received at this central point goes the round of the building, from machine to machine, finally emerging from the finishing room direct to the stock-room, which in turn adjoins the shipping department. A little care in planning a building with reference to the particular line of work, route to be followed in manufacture, size of finished product, location of elevators, etc., will work wonders in reducing cost, promoting efficiency, and, last

but not least, keeping the force of workmen in good humor.

Plant Efficiency.—The primary object of the model manufactory, whether large or small, is reduction of the cost of production. And this may be secured only by a combination of desirable qualities, known as plant efficiency.

The actual work of manufacturing in its bearing upon efficiency may be classed under two heads: general and special. General manufacturing has to do with the duties of department heads, upon whom it devolves to produce results through the exercise of their special qualifications. Special manufacturing applies to the actual operations involved, and is of maximum importance. Any machine or contrivance that simplifies an operation or increases production is a factor in increasing efficiency. In conclusion, it may be said that the problem of economical production is solved only through the agency of an efficient tool in the hands of an efficient workman—both being housed in a convenient plant.

XI

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XI PURCHASING AND STORES

I. METHODS OF BUYING

IN a trading business, that is, one engaged in the purchase of finished goods with the object of subsequently selling the same at a profit, obtaining the supplies at the right price is a feature of vital importance in determining the ultimate success or failure of the house.

Equally important in a manufacturing concern is the ability to obtain the raw materials required at such a price as will make possible the sale of the finished product with a satisfactory margin of profit in the face of competition.

Almost invariably the salesmen employed by a concern arrogate to themselves exclusive credit for the success of their firm. Comparing the relative importance of the buying and selling ends of any business, it may be said that while the inefficiency of the salesmen may result in ultimate failure, a corresponding degree of inefficiency in the purchasing department is quite as certain to result disastrously.

Qualities of the Successful Buyer.—The ability to approach a dealer, manufacturer, or other person having goods to sell, and by dint of haggling and sharp practise induce him to part with his goods for a lower price than is his custom, is considered by some to be an essential qualification and the one distinctive feature of a successful buyer. That this is invariably the case is extremely doubtful. The buyers occupying the most important positions at the present time are those who in

the pursuit of their profession are guided by knowledge acquired in the school of experience, and not those who have relied upon some inherent astuteness in bargaining and their ability to beat down a seller's price. Many buyers, both private and professional, consider themselves imposed upon, if they fail to secure an article without a reduction from the price first quoted.

While this method of doing business may occasionally redound to the advantage of the purchaser, it usually requires but a brief time for agents or storekeepers to become acquainted with these tactics, with the result that a price is first set upon an article considerably higher than the current price, for the benefit of that particular customer.

The vender may then safely reduce the price quoted, and make a sale, while the customer is happy with the thought that he has secured a "bargain."

Requirements for Good Buying.—In order to buy successfully, a very essential requirement is a thorough knowledge of market conditions. The person upon whom these duties devolve must be familiar with all available sources of supply, and the prices set upon such articles as he may require. Prices, however, are not a constant quantity, and may change with very brief notice, or none. The buyer must not only be aware of the fact at the time the change occurs, but should be versed to a sufficient degree in existing conditions to realize for some time previous that such a change is likely to occur. It can easily be understood that when all the indications point to a rise in the price of some particular article the time to replenish the stock is before such change occurs. On the other hand, if conditions indicate a drop in prices, no particular business acumen is necessary to realize the inadvisability of laying in a heavy stock in advance.

In no other sphere of business life are conditions similar to those which govern the buying of goods.

With the exception of his catalogues and lists, the buyer has but little documentary instruction for his guidance. Close observance alone decides him as to what

his business and customers require, and what may be suitable in a certain line or location may be totally unsatisfactory in another.

The ability to read character is almost of as much importance as the ability to read conditions. The salesman endeavors to sell his goods at the highest price possible, while the purchaser seeks to get the lowest. Between the two exists an antagonism, each trying to conclude the transaction to his own benefit. When a salesman utters a statement, which for want of a more expressive name we will term a "bluff," the purchaser familiar with his ground should recognize the statement as such, and when the opportune moment arrives make his position plain.

Successful buying and selling—for one can not occur without the other—requires in the highest degree the faculty of being diplomatic. Quite frequently it is the part of wisdom to conceal information desired by the other party, as such information may have a monetary value of which the vender is aware. Many things must be known by a buyer about the firm by which he is employed, matters, sometimes, most intimately connected with the business. To buy understandingly such must be the case, but to the credit of buyers as a class be it said, that the instances where secrets have been revealed are few and far between.

The possession of a fund of common sense is a particularly desirable qualification in any one entrusted with the duties of buying. Many instances present themselves where the efforts of persons possessed of a thorough technical training have resulted in failure through their inability to act in the proper manner at the proper time, and while the above is applicable to the pursuit of any calling, the absence of such a qualification is absolutely fatal to the success of any one engaged in buying.

Duties Difficult.—"The duties of an up-to-date purchasing agent are quite difficult and should not be looked upon lightly," says Edward N. Chilson, "for, in addition to his being an administrative officer, he remains the man

of details. At least the writer's experience has been such that he found it impossible to throw aside details, owing to the fact that it is paramount for the department's success for one to keep a hand on the pulse of the entire organization; and those who entertain hopes of becoming identified at some future time with this particular field may be assured that hard work and conscientious endeavor are vitally necessary. The work, however, is interesting and pleasant, and leads to higher posts and responsibilities.

"The business training of a purchasing agent is of the best; his duties are diversified, his field of action country-wide, and his acquaintance among business men broad and comprehensive.

"It has been said that the purchasing agent, although a responsible head of a department, performs his duties to greater disadvantage than do the heads of other departments, and with less official recognition. This may have been true at one time; but to-day it is different, as the purchasing agent, if a good one, usually is recognized by his superiors, and his meritorious work is placed upon a high plane of achievement. He should be one of the highly paid officials, not because it is necessary to place a premium upon his honesty, but because his work is important, his position lofty in the true sense of the word, and his vocation one that requires long years of training and careful study. Through this department large sums of money are spent annually, and the spending of this money for materials and supplies is no easy task, provided judicious expenditure obtains. In this department large sums annually may be saved or wasted.

Knowledge Must be Extensive.—The knowledge of a purchasing agent must be extensive. Where it is his duty to secure many and varied substances or articles, he must be familiar with the nature, cost and process of manufacture of the articles in question, in order to discuss intelligently the propositions of the different salesmen he may meet.

When the buyer is thoroughly informed regarding the

costs incident to the production of an article, and the conditions prevailing in the locality where it is manufactured, he is able to decide with a remarkable degree of accuracy just how much profit the manufacturer is making by the sale. If this profit is somewhat liberal, he has some reason for expecting a better price, and may insist more forcibly upon the same being granted. Manufacturers who fail to keep accurate account of the cost of their productions are in no position to furnish their salesmen with information on this point. A salesman handicapped by this lack of information, in order to meet the quotation of a competitor, may sell goods at lower figures than is advisable. In such a case the buyer profits, but where the concern producing the goods and the salesman selling them know exactly the cost of producing, the salesman will turn down an order rather than book it at a loss.

The buyer must be on constant watch for adulterations in the articles he obtains. Although samples of an article may be submitted for his inspection which are perfect in every respect, it frequently happens that several may be found in the shipment which do not fill the requirements. In such a case, the inferior articles must be brought to the notice of those from whom they were obtained, and an adjustment effected. Another unsatisfactory condition, which if allowed to continue indefinitely would work a loss for his firm, results from a tendency on the part of heads of departments to rush to the purchasing agent with a requisition for this, that, or something else which they may have already in stock, but which through lack of diligence or care they fail to discover until fresh stock is ordered. To counteract hasty buying, the buyer must possess as intimate knowledge of the needs of each department as the heads of the departments themselves. In order to act fairly to each department without bringing undue expense upon the firm he must, in fact, possess an extremely detailed fund of knowledge of everything connected with the business.

Buying vs. Selling Prices.—Successful buying does not consist in obtaining the greatest amount of goods for

a given sum of money, but in obtaining the highest grade goods at a fair price, and in timely quantities, with the object of making as large a profit as possible when the articles are resold. As a thing must be bought before it is sold, it is in the buying that the first opportunity is given to demonstrate the possession of ability, and when the supplies of a large concern operating a number of stores or factories are obtained through one office, the problem is one of considerable magnitude. A close buyer invariably endeavors to beat down the prices given him by the salesman, with the results already noted, but the good buyer, on the other hand, is cognizant of the value of the goods, and is satisfied to pay the price asked, provided that the same is reasonable and in accord with current prices.

The selling prices of articles may vary extensively regardless of their intrinsic worth, but the fact that an article may be sold for a price much exceeding its intrinsic worth is no reason why a buyer should not exercise due diligence in obtaining as low a price as possible. On many other articles the percentage of profit may be very small and full advantage should be taken of the opportunity to even up.

Seasonable Buying.—The relation of time to buying is of utmost importance in some lines of business. Many times, orders for supplies for winter trade are placed in the summer, and in the clothing trade particularly the weather is a controlling feature. To conduct a clothing trade with the highest degree of success, at least in some localities, would almost necessitate obtaining advance information in regard to the weather. Many a dealer anticipating an exceptionally severe winter has stacked up with clothing to suit, only to find that he had miscalculated and that he was left at the end of the season with much of his stock unsold.

City vs. Country Trade.—Regarding the location of the business, other conditions are encountered. The country storekeeper is acquainted with his entire clientele.

He knows what they must buy and whether they are prompt or dilatory in paying their bills. Conditions do not vary from year to year, and a procedure which has proved successful during one year is almost certain to produce similar results during following years. His customers are not continually moving from place to place, and the competition is not unduly close.

In the city, however, the conditions are almost completely reversed. A large part of a merchant's trade is derived from persons who may not make two consecutive purchases in the same store. The liability of fire is always present to cause destruction to the store or neighborhood; or whole blocks of buildings may be destroyed to make way for some immense public edifice, with the consequence that the immediate district is depopulated. Thus it is seen that in many instances the city storekeeper operating on a small scale is unable to show a percentage of profit at the end of the year as great as that in a small town or village.

Buying for Small Houses.—It is frequently claimed that in a comparatively small business the buying should be done by the person by whom the business is owned. On the other hand, it is held that a storekeeper is essentially a salesman, and although the arts of buying and selling may have a number of features in common, one can seldom obtain a high degree of efficiency in both lines. Many small storekeepers do not think they are running their own business unless they attend to the buying as well as the other duties themselves. Many buy at the suggestion of the traveling salesman who visits them periodically. However, the buyer who is guided by the salesman must not forget that it is to the salesman's advantage to sell as big an order as possible; and the wise buyer will refuse to order more than he can dispose of in a reasonable length of time. The common-sense plan is to obtain from the salesman full information in regard to his stock and trade conditions in general, while the merchant does the buying on his own initiative.

A method of selecting supplies which is even less de-

sirable is to permit the wholesaler who supplies the goods to forward what he considers best. If the wholesale merchant had any means of knowing the requirements of the locality, such a procedure might possibly be satisfactory; but, as this is hardly ever the case, the retailer at the end of each season is in danger of finding himself loaded up with a stock of goods unsuited to the wants of his customers.

Selection of Initial Stock.—When opening up a new store the selection of the initial stock is a matter requiring considerable knowledge of conditions. For any one anticipating such a venture it would be well first to acquaint himself as thoroughly as possible with the trade of the locality.

Close observation of the methods employed in an established store carrying similar lines, provided it is being operated successfully, will be of great assistance. It would even be desirable to secure employment in such a store for some time for the benefit of the experience. As a general rule, it is preferable to follow methods which have proved successful rather than endeavor to introduce new and radical departures. The advice of the traveling salesmen is not to be rejected, but judgment should be exercised in deciding the amount of purchases and proportionate selection of items.

It is also well to become acquainted with the trade journals and catalogues of the various manufacturers supplying the lines in demand, although the catalogues must not always be considered the last word in the matter of price. When about to lay in an extensive stock, it is quite customary to send lists of the articles required to a number of supply houses. If the goods are to be paid for in cash, some supply house to whom the receipt of the cash would be of importance at that particular time may see fit to quote a better price than ordinary, or another may be desirous of moving his stock to make room for new goods and will do likewise. People in business who pay cash, or acquire a reputation of meeting their bills promptly, taking the benefit perhaps of a cash

discount, usually get any favors that are going in the way of low prices, choice stock, favorable delivery, etc.

The buyer for a firm should make it part of his business to see that his house pays its bills promptly, otherwise he may find that prices are becoming stiffer without any apparent reason.

Treatment of Salesmen.—Not a small portion of a buyer's success is due to his treatment of the traveling salesman. Some misguided buyers seem to think that the salesman is a nuisance, to be gotten rid of as soon as possible. This, of course, is both discourtesy and bad judgment, as it is evident that salesmen of ordinary flesh and blood will not make the slightest effort to give such persons the benefit of any information they may possess.

Buying, whether for a small concern or a large one, is alike in this respect, that the object in either case is to obtain the greatest return for the money expended. However, the methods which prevail in a country store would be far from suitable if applied to an immense department store or manufacturing establishment. Here the work of buying is performed by a department created for that specific purpose, which according to the magnitude of the concern may consist of one person who orders the supplies, taking care of them when received, and doing all the work alone, or an entire department including stock clerks, receiving clerks, clerks who take care of the records, etc. (See *Office System and Management*, page 209.)

Duties Enumerated.—Briefly enumerated, the duties of a purchasing agent and his department consist in securing catalogues, names of manufacturers, dealers, and other information regarding sources of supply; obtaining samples and where necessary having the same subjected to test. In conjunction with the superintendent or general manager, he prepares schedules of materials required, secures bids, and distributes orders. Records of all orders must be kept, and a systematic method followed for tracers. All orders that are not filled within a reason-

able period must be followed up. When the goods are received, he must acquaint himself with the accuracy of the amount and their quality, see that they are properly stored in the stores department, which he also controls, and require from the stock clerk and his assistants an accurate report of all goods received or sent out.

To perform these duties satisfactorily, records must be kept of all sources from which supplies are obtained, and the quotations given on each article or class of material.

Trade Catalogues.—A systematic collection of trade catalogues filed according to some prescribed method and furnished with an index is essential, as well as a record of all previous purchases showing the nature and amount of the goods, where they are obtained, and the prices paid for the same. To keep accurate and systematic records of all necessary information involves the adoption of a suitable system of recording and filing. In many cases the designing of the system is intrusted to public accountants, who make a thorough study of the business, and devise methods applicable to the case in hand.

With a crude or inferior system, even extraordinary ability would be of little avail on the part of the persons involved, but the combination of a suitable system and good common sense is almost certain to result satisfactorily.

It is usually an easy matter to secure the names and catalogues of dealers. A new concern is usually made the recipient of a great deal of such literature as soon as houses in the same or similar lines are aware of its existence. A matter of fully as great importance is to have the information so arranged that it may be instantly available.

Card Index System.—In a business handling many lines a record system of value is based upon the card index. The first subdivision of the card is based upon the classification of the goods, and under each class are placed the names of the firms dealing or manufacturing in that particular line. The filing of cards may be effected either

in alphabetical or numerical order. Where the number of catalogues to be consulted is not very great, they may be kept in book-cases or other receptacles arranged under the names of the firms. In many cases the use of an index may be unnecessary as the distinctive appearance of the different catalogues is sufficient to render their recognition easy.

In extensive systems a numerical arrangement is more satisfactory: a sticker may be attached to each catalogue, on which is written a number and, what is also of advantage, its date of issue. A certain group or series of numbers may be used for each line, as, for example, 1 to 100 for "Hardware," 101 to 200 for "Dry Goods," and so on. If the number of catalogues on any particular line should exceed the number assigned to the line, they can be numbered as "1 a," or "1 b," etc., without disturbing the index as a whole. Bound catalogues and others having sufficient stability to stand on end may be placed conveniently in sectional book-cases, where they are in plain view, and thus be located without reference to an index. Pamphlets are better placed in vertical files.

Catalogue Index.—The index to the catalogue list is of vital importance. One method of preparing such an index is as follows: A card of suitable size bears at the top the name of a certain class of merchandise. On the body of the card are written the names of the concerns handling such a line. Opposite the name of the firm are numbers which indicate the location of the catalogue. Where only one or two pages in the catalogue are of interest, the page number should be placed on the card, thus effecting a considerable saving in time. The cards when filled are filed alphabetically under subjects, and may be kept in an ordinary card tray or drawer of a desk.

In some cases the above method is reversed. The cards give the name of the firm at the top, while the names of the articles sold follow in alphabetical order. Inasmuch as a number of concerns may furnish quotations for a certain quality of goods, or one firm may quote on a number of different lines, some systematic record must

be kept of all such quotations. In addition, the date of the quotation should be specified, as well as the quantity on which the quotation was based, the initials of the salesman by whom the quotation was given, the list price, discount and net price, whether the goods were F. O. B., or to be delivered, and the terms of payment. When an order is given, it should be recorded on the card on which it belongs, but all quotations should be personal and filed in a fashion governed by the nature of the business.

The catalogue file should contain catalogues of almost every manufacturing institution in the country, in such condition that easy reference may be made thereto, not only as to the manufacturers' names, but as to the particular materials and supplies handled. Therefore, in connection with many such files may be found a cross-reference system, in which the catalogues are referred to by names, and cross-references made as to materials and supplies handled by each manufacturer.

An inquiry list should be kept, in which should be found the names and addresses of manufacturers, alphabetically arranged and numerically compiled, so that when a requisition is received from the stores, mechanical or any other department, it is only necessary for the purchasing agent to mark opposite the various items thereon the numbers on the lists under which the various items are classified. Inquiries are then sent into the market, prices obtained and tabulated, and orders placed with the lowest bidders, consideration being given to quality of materials and shipping dates.

Records of Purchases.—For keeping the records of all purchases, cards should be prepared showing from whom the purchase was made, the number and date of the order, the quantity bought, and all information relating to discounts, prices, and terms, which are filed in a similar manner to the quotation cards.

Loose-leaf devices can be used very advantageously for the recording of information in reference to purchases. The name of the firm from whom the goods are bought is written in a column in the center of the page. On the

left all the facts concerned with the ordering of goods are set down, while on the right the name of everything relating to their receipt and disposition is noted as fully as possible.

A Uniform System.—In the purchasing department matters should always be arranged, if possible, so that the procedure would be the same regardless of the nature of the goods obtained. While some people are opposed to red tape in the transaction of business, it must not be forgotten that, where extensive interests are involved, some routine work is unavoidable.

For example, when the foreman of a department in a large manufacturing concern finds it necessary to be supplied with certain articles, let us trace the various steps taken before these articles are delivered into his hands. The foreman prepares a requisition on a form provided for the purpose. Such forms have the name of the department printed upon them, and frequently those for a particular department have a distinctive color. Each sheet is also consecutively numbered. The requisition should state the purpose or job for which the goods are required, their exact description, and the quantity necessary. It must then be signed by some one in authority, usually the head of the department, or vouched by the superintendent. It passes to the purchasing department, and if the articles requisitioned for are in the stores, and the purchasing agent is convinced that a genuine need exists in the department for such supplies, the same will be delivered. Perhaps if the articles asked for are not in hand, others may be substituted, but if this is impossible, some outside source of supply must be called upon. A copy of the requisition is usually kept by the department. Sometimes three copies are prepared, two of which are sent to the purchasing department. On one of these the purchasing agent notes what is being done in regard to filling the requisition, and returns it to the foreman. This, however, can not be considered essential, as the foreman is chiefly interested in getting his supplies, regardless of the processes involved.

The Requisition.—The requisition may be termed the nucleus around which the entire department work is centered. Requisitions are issued by the various departments, setting forth in detail the materials and supplies required, and are usually sent direct to the purchasing agent, after being approved by the proper officials. These requisitions should convey complete information, including correct technical description, as well as shipping instructions and dates when materials are required at destination. The requisitions, upon reaching the purchasing department, are put through the system as previously described, for the placing of orders.

Department officials should make all requests for materials and supplies in due form to the purchasing agent, and where circumstances warrant, submit recommendations; but beyond this, in the matter of purchases, they should not go. The purchasing agent should be left with free hands for action, accounting only to his superior.

Orders for Buying.—The purchasing agent's duty is next to ascertain where he can obtain the supplies needed on the most advantageous terms. If the order is comparatively large, he may ask for a special quotation. Perhaps it may also be necessary to obtain samples of goods. When all the preliminaries are arranged, an official order is prepared and sent to the firm selected to supply the goods. One or more copies of the order are made at the same time. If the same person receives the goods who ordered them, then one copy is sufficient, but if the receiving is done by a special clerk he must be furnished with a copy to keep on file and to check the goods when received.

When the business is extensive and a vast number of orders are given every day, more copies may be necessary. For instance, the original will be sent to the supply house as before, and what is termed the "follow-up" copy is held by the purchasing agent and filed in a date file.

Following up Orders.—After the order is placed, the next move is to see that no delay takes place in the ful-

filment thereof. The "follow-up" clerk should communicate with the manufacturer, ascertain the probable shipping date, and prepare for tracing the shipment after it is made. The efficiency of the average purchasing department could be materially increased by the employment of competent men in sufficient numbers to follow shipments from the time orders are placed until the material arrives at destination. Such employees should be aggressive and possess a good general knowledge of shop conditions and transportation methods. If four or five days are considered amply sufficient time for an acknowledgment, the follow-up copy will be placed in the space reserved for the fifth day. Each day the orders under that particular day are examined. When the fifth day arrives, the follow-up copy is brought to light. If it has not been acknowledged, an inquiry is sent. If it has been acknowledged, the copy is moved along in the file to about the time the delivery may be expected. In this way it is impossible for delays to continue unnoticed, which might easily occur were it not for some such device. A third copy is sent to the receiving clerk and is filed by him under the name of the manufacturer, and when the goods are received each item in the shipment is checked with the order and the order returned to the purchasing agent.

Checking up Orders.—In some concerns this part of the procedure is somewhat modified. It is claimed that certain receiving clerks, when desirous of avoiding the work of counting the items of a shipment, can check an order and return it whether the amounts are correct or not. To avoid such remissness in duty, special receipt blanks are placed in the hands of the receiving clerk upon which he must specify full particulars of the goods received. This list is then checked in the office of the purchasing agent, and the slip or order next passed on to the auditor or comptroller, who thus is informed of the extent of his obligations, and is given time to make provision for paying the bills when due.

The cost department is also provided with copies of all orders, with the prices for the information of the clerks

in that department when completing their reports. When the factory is at a distance from the office, another copy is sent to the office manager, who by this means is furnished with a complete record of all supplies furnished that branch of business over which he has control. After the goods have been delivered and checked by the receiving clerk, and the auditor notified of the transaction, the duties of the purchasing agent, so far as that particular transaction is concerned, are practically at an end. In this instance three documents remain in his possession: (1) the follow-up copy of the order, which is filed under the name of the manufacturer; (2) the checked copy returned by the receiving clerk with his memoranda; and (3) the requisition—the last two being attached to each other and filed under the serial number and department heading of the requisition.

Importance of Checking Freight Bills.—A matter of vital importance to a large concern is that of carefully checking freight bills at the receiving office in instances where the freight is to be paid by the shipper or to the consignee. Frequently large losses have been discovered, through no one's dishonesty, but simply from carelessness at the other end of the line. To cite an instance in point, a manufacturing concern which was accustomed to purchase goods F. O. B. the factory did not at all times exercise due caution in checking the freight bills. Very little freight was prepaid at the other end of the line owing to inconvenience in marking the shipments. By marking the freight "collect" the shipment was expedited, and the consignee was expected to pay the charges and deduct from the invoice. In this instance they paid the charges on all such shipments and charged it to the freight account instead of charging it back to the shipper. In the course of three years the loss from this one source amounted to more than \$7,000; and this loss was only ascertained when the books were being gone over by a public accountant.

In fact, it is very easy for such a leakage as the above to occur in any business. The shipment of material, such

as books, is frequently sent out "collect" as the weight is not known in the shipping office. If marked F. O. B., destination, the man at the other end of the line can and should send back a debit memorandum or deduct from the invoice. If he fails to do so it will be his loss, as the shipper will probably not think of it again unless it is called to his attention by the debit memorandum. No shipper can be expected to look specially after the interests of the other man; he must see that his own bills and so forth are properly taken care of. A public accountant states that this one item has been responsible for the loss of thousands of dollars to business houses large and small.

2. RAW MATERIALS

Raw materials, whether derived from the earth, air, or water, are principally those products of nature which are unmodified by human agency. A secondary meaning of the term has arisen, however, which will be considered presently.

As such, raw materials would consist of coal and mineral found in the earth, the products of the sea, and the various vegetable products which grow upon the land. In some parts of the world such products suffice for the sustenance of the natives without the necessity of their being subjected to even the simplest processes of manufacture. Such is the case in tropical countries. The warmth of the climate makes clothing practically unnecessary. Huts of grass or canes serve as a protection from the elements. An abundance of food is obtained from the berries, nuts, and fruits of the forest, supplemented by the flesh of such animals or fish as they may succeed in capturing. All the requirements of clothing, food, and shelter being thus bountifully supplied by a beneficent nature, no incentive is given to the native to bestir himself in an effort to improve either his mental or material welfare.

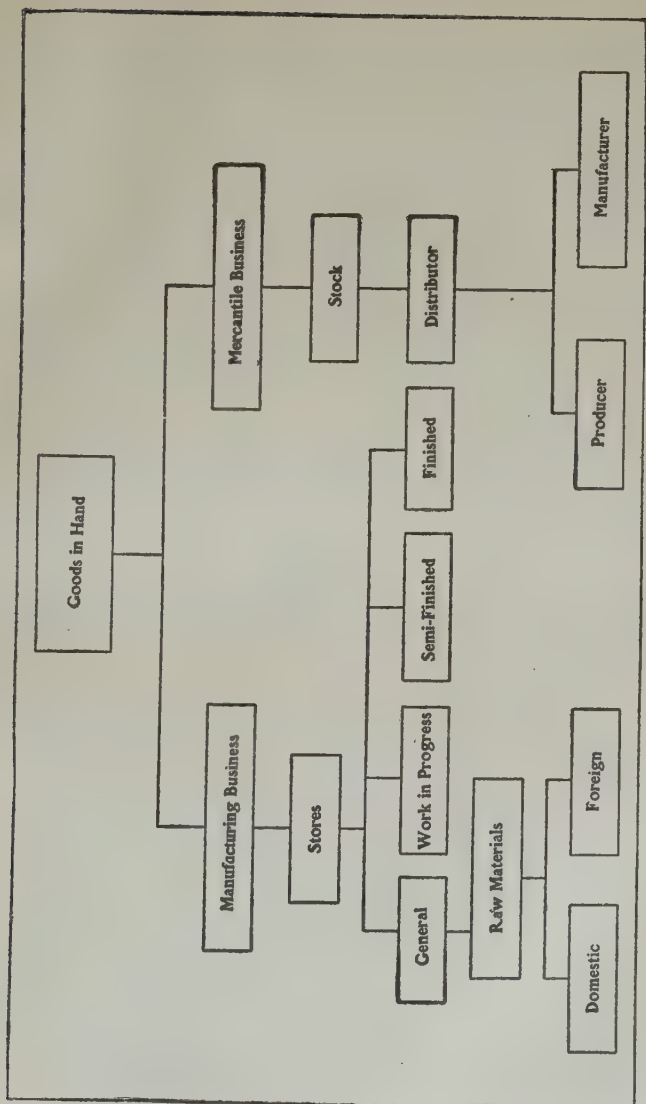
Results of Soil and Climate.—How different are the conditions in the colder countries! Fruits and food

products do not grow in such profusion, nor are they obtainable for the unrestricted use of the public at large. In consequence, food products have an economic value, and strenuous efforts are necessary to procure them from the earth or to obtain values of an equal amount for their purchase. Particularly is this the case at the present day when the "high cost of living" is engrossing general attention. The severity of the climate in cold countries also requires that ample provision must be made for clothing and shelter.

The conditions of the soil and climate make it incumbent upon every individual in temperate or colder countries to labor. The drudgery of this labor, plus his natural ambition to obtain the best results in the shortest time, stirs his inventive faculties toward producing agencies whereby his work may be reduced or simplified. The two combined are responsible for practically every labor-saving device that has ever been invented.

Nature's Products Require Treatment.—With very few exceptions the raw materials of nature require special treatment in order to become suitable for the needs of mankind. Every machine, therefore, may be defined as an agent which transforms, or aids in transforming, raw material into finished products. This brings us back to the original question, What are raw materials?—but now the answer must be stated so as to accord with specific conditions. In this connection the word "raw" becomes purely a relative term, and it might be hard to improve upon the definition propounded half a century ago by Mr. H. C. Carey in his "Principles of Social Science":

"What, however, is raw material? In answer to this question, we may say that all the products of the earth are in turn finished commodity and raw material. Coal and ore are the finished commodity of the miner, but the raw material of pig-iron. The latter is the finished commodity of the smelter, yet only the raw material of the puddler, and of him who rolls the bar. The bar, again, is the raw material of the sheet iron, that in turn be-



SOURCES OF GOODS IN HAND

coming the raw material of the nail and spike. These, in turn, become the raw material of the house, in the finished cost of which are concentrated all the changes in the various stages of passage from the crude ore lying useless in the earth to the nail and the spike, the hammer and saw, used in the construction of a dwelling."

What is true of iron applies to almost every other commodity. An article of food such as bread, for example, is produced not through the agency of one person or implement but of several. The farmer prepares the ground by tilling and fertilizing and sows the seed. He also garners the harvest, the grain is thrashed and passes into the hands of the miller, the flour produced by milling is given to the baker, who prepares the dough which is baked into bread.

Take again articles of clothing. The farmer's services are required to produce the cotton, which passes through the gin. It is then carded, formed into rolls, spun into thread and woven into cloth, becoming the finished product of the mills; but it is yet the raw material of the tailor, who fashions it into clothing. Details of similar processes from a raw or crude state to that of usefulness might be given, but the above will suffice to indicate the force of the definition.

Two Classes of Raw Materials.—Considering raw materials in the broadest application of the term, it may be stated that they are susceptible of division into two classes: First, those which are a free gift of nature and for which no price must be paid; and second, those which exist in limited quantities or in such a quantity that the supply is not equal to the demand. The first class would include air and water, but even these are subject to restrictions and values. Take, for example, mountain or sea-shore resorts where the air and water are credited with possessing peculiar properties beneficial to health. In order to enjoy the same, a price must be paid, indirectly it may be, for land or accommodation, but these gifts of nature, nevertheless, are the features giving value to the land.

Economic Articles.—Articles for which a price must be paid may be termed economic. The feature of cost is founded upon the cost of their utility and the fact that the natural supply is unequal to the demand. As has been seen, a substance ordinarily free may become an economic one under certain conditions. Utility in this application signifies the property of being desired, and would increase in direct proportion to the demand. A distinction exists between utility and usefulness. For example, whisky (as a beverage) and tobacco are not considered among the necessities of life. However, the demand for such substances may be very great. While they are not useful, they are objects of utility.

The quality of utility may be increased by any act which has for its object the modification of the substance so as to render it of more extensive application. For example, a ton of iron ore at the bottom of a mine in the Lake Superior district may constitute a potential asset, but its value while there is absolutely nothing. Countless millions in treasure may exist in the bowels of the earth or at the bottom of the sea, but until such treasure has been secured and made to serve the purpose of men, the visible wealth of the world is not increased thereby.

Problem of Transportation.—Let it be granted that the ton of ore has been brought to the surface of the earth—it acquires a value by the change of approximately two dollars. However, no facilities are located near the mine for smelting the ore, which for this purpose is transported, we will say, to Pittsburg. The nearer it reaches its destination the more valuable it becomes, the increase in price being practically equivalent to the charges for transportation, and at Pittsburg its value may be double what it was at the mouth of its pit. In this particular case one might wonder, in view of the great extent of the Lake Superior ore field, why smelting works were located at such a distance. Several reasons present themselves. In the first place, the Pittsburg works were installed previous to the discovery of ore on Lake Superior. The

erection of an iron plant in the vicinity of the mines would necessitate the transportation of coal, coke, and other material to that plant, in view of which it was deemed preferable to transport the ore to the coal district rather than transport the fuel to the iron district.

Mechanical Aids.—At the present day practically all the work of handling, and in some cases that of mining is performed by mechanical means. In some regions where the ore is at the surface, it is dug by immense steam shovels, which discharge upon cars waiting to carry the ore to the ships. At the wharfs the ore is deposited in storage chambers from which it may be released and run through chutes into the holds of the vessels. At the end of the trip by water the vessels are unloaded by electrically operated grab buckets which descend into the vessel, seize upon five or ten tons at one load, raising it up and out of the vessel, and deposit it upon cars which carry it through the remainder of its journey. With these modern appliances the cost of handling is very much reduced, particularly where large shipments which warrant the introduction of up-to-date machinery are the rule.

On arriving at the seat of manufacture the iron ore which we have mentioned is placed, with limestone and coke, in the blast furnace, where through the action of heat it becomes a molten mass. The iron, being heavier than the melted earth, stones, etc., which form the slag, settles to the bottom, from which it is drawn off, run into molds, and permitted to solidify. The pieces formed in the molds are termed pigs, and the product is known as pig-iron.

Change of Form Increases Price.—This change in form has been accompanied by a further increase in price, pig-iron having a commercial value of \$15 to \$18 per ton. If the pig-iron is converted further into steel in the form of billets or ingots, the price is again increased to between \$22 and \$23 per ton. If the steel ingots are drawn into rails for railways, the price again

goes up, varying from \$28 to \$30 per ton. Structural iron and steel costs anywhere from \$44 to \$55 a ton, and wire from \$50 to \$55.

Two Factors in Utility and Cost.—From the above it will be seen that the two factors, location and form, have a bearing of paramount importance upon the utility and cost of any article. Iron ore is iron ore, whether at the bottom of a mine or when in the immediate vicinity of smelting works, but here the parallel ceases. In the mine it is useless; at the furnace it becomes a vastly important article of usefulness. In the same way the iron in pig form is the same as the iron in the structure, but how vastly different is the usefulness of each and the consequent cost!

Change of location is effected through the agency of the various means of transportation. Over long distances the railroads and steamships furnish employment for thousands of persons, and to such an extent has the necessity for transportation facilities increased that at present considerably more than two million cars are utilized in the United States for the transportation of freight alone. Where materials are moved only through short distances, as from the pit to a loading platform or from the dump to the mouth of the furnace, cranes, derricks, carriers, and cableways prove useful. In the ships of a navy such contrivances are employed in transferring coal from the holds of colliers to the bunkers of the men-of-war while at sea. Docks are also equipped with similar contrivances to facilitate the transferal of ships' cargoes to freight cars, or *vice versa*. An instance where their installation was essential to the profitable operation of a mine was that of an old and valuable iron mine in New York which had been worked for years, until the character of the strata became such that eventually the ore could not be mined profitably by the old methods. It was then decided to blast and remove over 300,000 cubic yards of rock, which, when effected, uncovered approximately 1,000,000 tons of ore. The ore was then quarried and conveyed by hoisting devices,

rather than mined, at but a fraction of the previous cost of operation.

The next step, that of manufacturing, is the widest in scope of all that take place in the history of an article, between the time when the raw material is lying dormant and useless in the earth and the time when the finished article passes into the hands of its ultimate owner or consumer. Manufacturing, however, takes us into another phase of our subject which will be treated separately.

The Element of Time.—The element of time is not without effect on the value of materials. For example, the price of coal is usually raised on the advent of winter, and the price of ice on the approach of summer. Agricultural products immediately after harvest cost less than during the following spring.

Distributing goods so that they become more convenient to the purchaser also has a tendency to enhance the price. The manufacturer sells in large quantities for a certain price to the jobber; the retailer obtains supplies in smaller quantities, but at a higher price, from the jobber, and in turn supplies the customer with still smaller lots at a still higher price. This general rule applies to articles in all stages of manufacture and to raw materials as well.

Labor an Essential.—To obtain the greatest service from substances supplied for the use of mankind by nature, the labor of man is essential. Man can not create matter—that can be done by nature alone—but once it is created he is the instrument whereby it may be converted into a variety of forms. He can also transport material from one place to another as desired, or be the agent through whose instrumentality title passes to another.

Another important essential to the performance of any of these actions is capital, but capital may be regarded economically as a secondary consideration, inasmuch as the creation of capital in the first place was the result of man's labors. It may, however, exert a tremendous

influence upon production when used judiciously in conjunction with labor.

Influence of Materials upon a Locality.—It is interesting to note the influence exerted upon the people of any locality by the character of the raw materials to be found in the neighborhood. Man's social and economic life is affected by his surroundings. Where mining industries prevail, the inhabitants with few exceptions are miners. To one who has experience with miners they appear to be a class singularly free from care. When the mines are in active operation the pay is good, and the working hours as a rule are not excessive. When the day's work is done their time is usually devoted to pleasure. They naturally seek relaxation from a dangerous occupation with the liability of death from explosions, suffocation, or cave-ins constantly before them. They learn to look lightly on the serious aspects of life.

The person, on the other hand, engaged in tilling the soil takes himself more seriously, his hours of labor are longer, and as a rule the time which he may devote to pleasure is limited. Fishermen as a class also present characteristics only to be found among those of their own calling. The ranchman and the herder have their own peculiarities. In fact, any person employed in a certain well-defined field of labor, associating with others engaged in the same line, is sure, sooner or later, to acquire characteristics which become identified with that calling.

Location of Plant Influenced by Character of Product.—The character of the raw material controls to a certain extent the location of the plant. Where the crude product is converted into a finished commodity in one plant, it is generally more convenient, perhaps absolutely necessary, that the plant should be near the source of supply. Take, for example, sugar-cane. Boiling must be done almost immediately after the juice is crushed from the cane, otherwise it will become sour and useless.

We have seen that many iron manufacturing plants

are situated long distances from the source of the iron ore. It would be preferable to have the ore supply close at hand, but there are other materials required as well as ore, such as limestone and fuel, and in many cases it is more economical to have the plant convenient to the fuel rather than to the ore supply.

Take, again, for instance, a substance which is the product of a very hot climate and which requires the application of intense heat in its manufacture. If the plant were located near the source of the supply, it would be practically impossible to obtain workmen capable of enduring the heat of the atmosphere, intensified by that of the furnaces.

Articles preserved by canning, such as fish and perishable fruit, must be so treated shortly after being secured—consequently the canning establishment must be situated as centrally as possible to the various avenues of supply. For a similar reason cheese and butter factories must be in the neighborhood of the milk supply.

The Problem of Labor.—Another factor which enters into the treatment of raw materials is that of skilled labor. Products may be obtained in some remote corner of the globe or in some uncivilized country where intelligent or expert workmen can not be secured. For example, crude rubber, obtained from the trees of South America, is shipped in this condition to northern mills. The item of proximity to markets also enters into consideration here, but without that feature the labor problem would still be sufficient to determine such plant-location.

The growing rivalry between Northern and Southern cotton mills furnishes an interesting illustration of the influence of labor coupled with that of markets, and of trunk lines of railroads and steamships. The great cotton mills of New England have owed their supremacy to a combination of these desirable factors. Situated several hundred miles from the nearest cotton fields, they have yet built up prosperous communities of thrifty mill operatives. A great deal of their raw material comes by boat from Savannah, Charleston, and New Orleans.

But in recent years the Southern mills have grown and prospered tremendously. With the advent of more railroads, and the importation or education of a higher class of labor, there is a growing ambition on the part of Southern mill-owners and cotton planters to control the market, both in the raw materials and in the finished product.

Low Tariff and Cheap Labor.—England, on the other hand, affords a striking example of the rise of great milling interests through a combination of low tariff and cheap labor. Cotton, of which we have just spoken, affords an instance in point. Cotton bales from Georgia or Louisiana may be shipped thousands of miles across the ocean to English mills, manufactured into cloth, and this cloth returned to American markets at an operating profit! Now, these two countries have the same climate, the same grade of civilization, and in general the same industries. But in most of these industries England can manufacture at a lower cost than America. The woolen mills of England, for another example, have the advantage in lower wages, cheaper wool (due to tariff), and perhaps greater technical skill. Consequently the English producing cost is much lower than that of America. England can manufacture goods at Manchester, pay ocean rates to New York, and freight rates to Chicago or St. Louis, and still undersell American competitors.

The same is true in glass, pottery, high-grade steel, and a variety of other products. Germany also is a competitor in several lines. The manufacturing nations of Europe up to the present time have excelled the United States in the various branches of production where expert hand labor is required and where low wages is a determining factor. On the contrary, the United States excels in many lines of industry where high wages and the extensive use of machinery are important.

Distribution.—Looking now at the manner in which the products of nature are distributed over the earth, it

is seen that practically every country has its share of the more important substances. Such conditions have a tendency toward a wider distribution of manufacturing industries than would be the case if each country held the exclusive supply of one particular substance. Consider the state of affairs that would exist if the world's supply of coal could only be obtained from Africa, while all the iron had to be obtained from America. Even within the confines of a single country, a certain definite plan seems to have been observed in the distribution.

Those substances which may be said to supplement each other are usually found not very far apart. While materials of minor importance in the arts and manufactures may be found in comparatively few localities, staple substances, such as coal, iron, lumber, and materials for food and clothing, are obtained in every quarter of the globe. All countries, however, do not produce the same articles in the same abundance or under the same conditions. It would, therefore, seem the part of wisdom for each country to devote its entire energies to the lines in which it excels, and to depend upon commerce for the balance of its supplies. This plan would be adhered to, probably, but for the introduction of another element—that of the tariff.

Protective Tariffs.—A tariff is an incoming duty upon goods sent from foreign countries, by which the government of the country where such goods are received derives revenue and at the same time extends protection to home industries engaged in the manufacture or handling of similar goods. A country possessing vast quantities of the raw materials necessary for the production of an article, and acquainted with the most modern and improved methods of manufacture, can almost invariably produce, export, and sell this article in a foreign country for a smaller price than the native manufacturer. The presence of cheap labor or low tariffs abroad, already touched upon, would also influence the same result. But it is here that the home government steps in, and by placing a sufficient tax upon the foreign article, its price to the consumer is



View of a Model Factory

In the model factory of to-day light and air are the first requisites. For this reason the height is limited to two or three stories; the windows cover practically the whole outer wall; and the use of the "saw-tooth" roof gives abundant light and ventilation over the entire plant.

necessarily raised to such a figure that the home concern is enabled to sell its product at a satisfactory profit and still compete with its foreign rival. This is known as "protection." In the instance of woolen goods manufactured in England, which can be exported to this country and sold at a lower price than the fabrics manufactured here, a protecting tariff duty of 60 per cent of the value of ready-made clothing, in addition to a specific duty of 44 cents per pound, pretty effectually prevents such an importation in quantities ruinous to American trade.

Articles which it is impossible, or at least very difficult, to produce in this country, such as tea, coffee, many tropical fruits, foreign woods, cocoa, spices, and rubber, are generally admitted duty free in their raw state, for the benefit of the manufacturer or refiner, but he usually reaps a benefit from the tax which is imposed upon articles manufactured from these materials.

Tariff duties may be levied for two reasons: (1) either to obtain money for the expenses of the nation, in which event any article might be taxed to a degree commensurate with the amount of money required; or (2) to secure protection for home industries by taxing only those articles which compete with home production. Protection, as a political principle, is opposed to Free Trade, and whether desirable or not for the benefit of the country as a whole, is a question much discussed by the legislative bodies of every civilized nation.

Special Classes.—A classification of materials not previously referred to may now be made. First, we have raw materials concerned in the act of production. These may undergo a variety of changes in form before becoming a part of the finished article, but their character and composition remain the same. Second, we have materials which do not actually enter into the article, but without which it would be impossible to perform the work required. Almost invariably, scraps, offal, by-products, etc., remain after work has been completed. Formerly no attention was paid to such material and it was allowed

to go to waste, but at present such is not the case—nearly everything is turned to account. Sawdust, for instance, of which millions of pounds were produced in the sawing of lumber and dumped into rivers or waste heaps, has now an economic value for many purposes.

The slag from the smelting furnace, another waste article, has been converted into a form of usefulness. By forcing a powerful jet of air through melting slag, a fibrous wooly material is produced, called slag wool or mineral wool, which, being a very poor conductor of heat, is extensively used for filling between the external and internal walls of houses, or in any situation where slow conduction of heat is desirable.

In the meat packing business a vast quantity of material was formerly disposed of as waste. Now every packing house of any magnitude operates glue and soap factories, utilizing hoofs, horns, fats and scraps of hide; factories for the preparation of the hair of animals for mattresses, upholstering, etc.; brush and novelty factories which turn to account some forms of the bristles and where the horns may be worked into various articles for use or ornament. The familiar boast of the packers is that they get "everything but the squeal."

A large amount of money was formerly lost in cotton growing in the Southern States. Previous to the year 1870 one of the greatest problems of the planter was the disposition of the cotton seed. Great quantities were annually burned to prevent its being blown about the fields. Finally machines were devised to obtain cotton-seed oil at a reasonable cost and an important industry became established.

Coal tar, one of the most valuable of substances, was formerly considered a waste product. Formed during the distillation of coal in the manufacture of gas and coke it was permitted to go to waste. The discovery by W. H. Perkins that dye materials could be derived from coal tar gave it a position among useful commodities.

Civilization a Factor.—We have already noted the effect of labor upon raw material. Emphasis may be

laid, however, upon the influence exerted upon relative prices of raw material and finished product, by the degree to which civilization and the arts have advanced in any country. Take, for example, a commodity growing in the heart of a primeval forest, far removed from railroads, sawmills, factories, and other evidences of civilization. Suppose that a dweller in this remote region desires to obtain some article of wooden construction. The wood from which this article is made may grow all about him and be had for the taking, but he has not the ability to fashion it to his needs, and must look to some other source of supply. This source undoubtedly will be at a considerable distance, and by the time the article is in his hands it will have a cost and perhaps a high one. And yet, the raw material grew at his door in abundance. Its cost was practically nothing, while the cost of the manufactured article was relatively high. Nearer the manufacturing center, on the contrary, the manufactured article could be sold cheaper owing to lower freight or carriage charges, and this despite the fact that the price for raw material delivered there must necessarily be in excess of its cost at the place of production. In a factory or manufacturing district the relative cost of raw material is higher than that of the finished commodity, and lower in the remote district. The tendency of these prices is to equalize as civilization advances, and the relative amount of each may be taken as an indication of the degree to which it has advanced.

Government Statistics.—A few specimen statistics and figures from the reports of the United States Government bearing upon the subject of raw material may be of interest. As has been stated, raw materials form the basis for all manufactures, and each process carries these materials to a higher stage of development, until finally the finished product is evolved. It is therefore instructive to determine the sources from which the manufacturing industries of the country draw the largest supply of raw material. These are fairly indicated in the accompanying tables which show the cost of materials derived from the

COST OF RAW MATERIALS

DISTRIBUTED ACCORDING TO SOURCES AND GROUPS OF INDUSTRIES—1905 AND 1900

(Official Census Report)

Source of raw materials	1905		1900	
	Cost	Per cent of total	Cost	Per cent of total
<i>Farm</i>				
Food and kindred products....	\$1,586,193,096	63.6	\$1,219,364,065	65.1
Textiles	462,732,001	18.6	313,130,347	16.7
Leather and its finished products	159,474,130	6.4	134,798,979	7.2
Liquors and beverages.....	59,280,108	2.4	36,895,350	2.0
Chemicals and allied products.	96,485,620	3.9	74,915,690	4.0
Tobacco	100,638,263	4.0	72,817,049	3.9
Miscellaneous industries	28,033,428	1.1	21,587,611	1.1
<i>Forest</i>				
Lumber and its manufactures.	\$87,965,611	53.8	\$63,682,690	54.9
Paper and printing.....	25,403,882	15.6	11,396,844	9.8
Chemicals and allied products.	8,200,186	5.0	7,494,243	6.5
Vehicles for land transportation	2,669,765	1.6	1,297,072	1.1
Shipbuilding	6,026	(a)	.....	....
Miscellaneous industries	39,219,207	24.0	32,100,416	27.7
<i>Mine</i>				
Iron and steel and their products	\$112,590,155	23.9	\$74,781,646	24.3
Liquors and beverages.....	167,678	(a)	339,489	0.1
Chemicals and allied products.	159,406,029	33.9	90,774,893	29.5
Clay, glass, and stone products.	25,102,739	5.3	17,208,289	5.6
Metals and metal products other than iron and steel.....	140,333,882	29.8	98,731,527	32.1
Vehicles for land transportation	157,577	(a)	45,730	(a)
Miscellaneous industries	33,360,121	7.1	26,018,734	8.4
<i>Sea</i>				
Food and kindred products....	\$11,401,160	83.1	\$8,037,262	85.8
Chemicals and allied products.	253,895	1.9	.....	....
Miscellaneous industries	2,060,031	15.0	1,330,508	14.2
<i>Farm</i>	\$2,492,836,646	79.4	\$1,873,509,091	81.2
<i>Forest</i>	163,464,677	5.2	115,971,265	5.0
<i>Mine</i>	471,118,181	15.0	307,900,308	13.4
<i>Sea</i>	13,715,086	0.4	9,367,770	0.4
ALL SOURCES	\$3,141,134,590	100.0	\$2,306,748,434	100.0

(a) Less than one-tenth of one per cent

farm, forest, mine, and sea, respectively, distributed according to general groups of manufactures in which they were consumed.

Some Comparisons.—The figures for both censuses show that, from the standpoint of cost, farm products constituted the most important source of raw materials for the manufacturing industries of the country. At the census of 1900, the products of the farm and the ranch formed 81.2 per cent, and at that of 1905, 79.4 per cent, of the total amount paid by the manufacturer to the first producer of all materials consumed in the raw state. Of the fourteen groups of manufactures, that of food and kindred products shows the largest total amount, \$1,597,594,256, as expended for the purchase of raw materials. Of this total, \$1,586,193,096, or 99.3 per cent, was paid for materials obtained from the farm or the ranch.

Next to food, the manufacture of textiles consumed the largest quantities of farm products. In addition to other raw materials, these industries reported the consumption of 1,981,804,446 pounds of cotton, and 501,468,203 pounds of wool during the census year 1904. The cost of these fibers amounted to \$360,575,571, and formed 77.9 per cent of all raw material consumed in the textile manufactures. The proportion of raw materials obtained from the farm and consumed in the manufacture of food and kindred products shows a slight decrease since 1900, while the proportion consumed in the textile industries has been increased. The raw materials obtained from the farm and consumed in the miscellaneous industries of this group consist principally of straw and kindred substances used in the manufacture of hats and brooms, and of fur, hair, and feathers consumed in the manufacture of clothing, mattresses, etc.

The mine ranks next to the farm as a producer of raw materials for manufactures. At the census of 1900, the mineral products formed 13.4 per cent, and at that of 1905, 15 per cent of the total cost of all raw materials. The manufacture of iron and steel and of other classes

TOTAL AMOUNTS OF THE MORE IMPORTANT AGRICULTURAL AND MINERAL PRODUCTS OF
THE UNITED STATES
(From Official Statistical Abstract)

	Corn Bushels	Bushels Wheat	Cotton Bales	Sugar Pounds	Wool Pounds	Anthra- cite Tons	Coke Tons	Bitumi- nous Tons	Pig Iron Tons	Iron and Steel Tons
1900..	2,078,000,000	547,300,000	10,200,000	486,000,000	288,600,000	53,900,000	17,600,000	172,600,000	13,600,000	2,300,000
1905..	2,467,500,000	552,400,000	10,800,000	1,268,200,000	295,500,000	65,300,000	21,100,000	248,800,000	16,500,000	2,300,000
1909..	2,668,600,000	664,600,000	10,400,000	1,680,000,000	328,100,000	74,300,000	23,200,000	296,900,000	15,900,000	1,900,000

PRINCIPAL MATERIALS IMPORTED INTO THE UNITED STATES
(From Official Statistical Abstract)

	Hides and Skins Pounds	Crude Rubber Pounds	Wood Pulp Pounds	Tin in Bars Pounds	Copper, all forms Pounds	Iron Ore Pounds	Leaf Tobacco Pounds	Raw Wool Pounds	Raw Cotton Pounds
1900..	341,200,000	49,200,000	191,100,000	68,900,000	172,200,000	2,077,000,000	20,100,000	157,600,000	66,700,000
1905..	349,900,000	66,600,000	378,900,000	88,000,000	787,900,000	1,777,000,000	33,300,000	245,400,000	61,600,000
1910..	586,000,000	101,300,000	869,900,000	101,700,000	1,191,600,000	5,506,000,000	45,800,000	255,000,000	81,200,000

of metals and their products consumed 53.7 per cent of the raw materials reported at the census of 1905 as obtained from the mine. A slightly larger proportion, 56.4 per cent, was reported for these products at the census of 1900. The minerals consumed as raw materials in the manufacture of chemicals and allied products consist principally of crude petroleum, phosphate rock, nitrate of soda, pyrites, and sulphur; also coal, used in the manufacture of gas. The percentages given indicate a proportionate increase in these materials. The cost of coal consumed in the manufacture of coke is the principal item of materials from this source in the group of the miscellaneous industries.

Establishments engaged in the manufacture of clay, glass, and some stone products, which obtained raw materials from their own clay beds or quarries, have made no official report of the cost of such materials, because the expense was covered in the wage account. This accounts in part for the comparatively small proportion of raw materials, 5.3 per cent, reported for the group in question.

The forest ranks third as a source of raw material for manufactures, supplying about the same proportion—5 per cent approximately—at the censuses of 1900 and 1905. The lumber and pulp mills and timber camps are the largest consumers of forest products. The stumpage value of the timber consumed was reported as the cost of the raw materials for the lumber mills and timber camps, and amounted to \$75,909,937, or 46.4 per cent of the total value of raw material obtained from the forest reported at the census of 1905. The cutting of wood for use in pulp mills is not included in the census of manufactures. The wood consumed in this manner is considered a raw material, and at the census of 1905 amounted in value to \$20,800,871.

Fish and oysters constituted by far the largest proportion of the raw materials obtained from the sea, though the value of shells used in the manufacture of buttons and various articles of a similar nature was considerable.

3. CUSTOMS DUTIES

The term "duty" as used in this connection denotes a certain sum of money levied, either directly or indirectly, by the government of a country upon the people, in the form of a tax upon the importation, exportation, or consumption of merchandise. Thus we have a basis for a three-fold classification of duties into *Import*, *Export*, and *Excise* duties.

Import Duties.—Import duties are those tariffs which are levied by the government of one country upon articles or products received by that country from foreign ports. For example, goods sent from England to the United States are subject to this class of duty. A further consideration of this important subject will occupy the bulk of the present section.

Export Duties.—The reverse of the import is the export duty, which is the tariff imposed by a government upon goods sent away from its shores.

Export duties are now seldom imposed except in certain of the British possessions. They are of comparatively early origin, and appear to have been assessed upon the merchant in accordance with the value of the property involved in his commercial transaction, but without any consideration as to the character of the transaction itself. In some cases they partake of a retaliatory nature, as is the case in regard to the export duty imposed by Canada upon the exportation of pulp-wood.

Excise Duties.—The more popular term for this class of duties is "Internal Revenue"; since it is a tax imposed by a government upon articles produced at home and consumed at home. This tariff is usually imposed upon luxuries or articles not strictly necessities, such as intoxicating liquors and tobacco. In such instances it is levied, not so much for the increase of governmental revenue, as to check the consumption of things which

might prove harmful if used to excess. The famous "moonshine" distilleries in the mountains of North Carolina and Tennessee are examples of attempts to evade this tariff. The corn-growers here, far removed from markets, attempt to turn their crops into the greatest amount of money with the least effort by erecting their own private distilleries.

Another interesting example of the internal revenue tax is that placed upon the manufacture of oleomargarine or butterine.

A special form of internal revenue may take the form of a "stamp tax," or special duty imposed by the government upon any general class of goods, for a specific purpose. An instance in point is the tax upon bank checks and other papers levied by Act of Congress during the Spanish-American War, but revoked shortly thereafter. This tariff was collected by the simple device of issuing stamps which were required to be attached to all such documents in order to make them valid.

Specific and Ad Valorem Duties.—A second classification of duties in general is made, with respect to the manner in which they are levied, into *Specific* duties and *Ad Valorem* duties. A *Specific* duty is one wherein a certain sum is levied upon each pound, yard, or gallon of the material without taking into account any considerations regarding its value.

Ad Valorem ("according to value") duties, as the name would imply, are concerned with the value of the article in question, and are levied in the form of a percentage upon such value, as is shown in the invoice which usually accompanies the article, or in the declaration made by the owner.

Tariff.—The term tariff is also applied to the tax levied upon goods, particularly those imported from other countries, while in a collective sense it is used to denote the list of dutiable articles and the amounts to be levied upon them, as determined by the governing body of the country in question.

Antiquity of Customs Duties.—The imposition of a tax or duty upon imported goods is by no means a modern innovation. Duties were levied upon products imported from other countries by the nations of antiquity. For the purpose of creating a revenue to supply the needs of the Government, the Athenians imposed a tax of two per cent upon both imported and exported goods. This was augmented by a charge made against the vessels in which the goods were carried, for the time they remained in the harbors, but while the amounts derived from these sources were ordinarily sufficient, a considerably higher tax was imposed in time of war.

The same means were employed in Rome to secure a revenue. About 60 B. C. the duties on goods imported into Italian ports were abolished. Later they were restored by Julius Cæsar, and maintained by his successors, who gradually increased the list of articles upon which duty was levied. The percentage paid in taxes by the Romans was considerably larger than that paid by the Athenians. Usually five per cent was the proportion demanded by the Government of Rome, although under the later rules this was increased to something over twelve per cent.

Medieval Duties.—In medieval times every feudal lord set up customs lines at the confines of his possessions, and those desiring to cross his domain found it necessary to pay, in addition to toll charges, an extra amount according to the value of the supplies they carried with them. With the passage of time, the dominion of the lords was superseded by that of monarchs, but the practise of collecting tribute was still continued.

The first mention of duties being imposed upon imports into England was about the close of the 10th century, and from that time on, duties for the purpose of obtaining revenue were more or less regularly imposed. The general trend of English laws thereafter was in the direction of lower duties, resulting eventually in the complete abolition of duty on all articles except tea, sugar, tobacco, wine, spirits, chicory, cocoa, coffee, and dried fruits.

Present English Tariff.—In this respect England, at the present day, occupies a unique position among the nations of the world. The articles upon which duties are levied form about nine per cent of the total imports, and embrace only such articles as may properly be considered luxuries, while all other articles are admitted free.

The majority of the articles upon which duty is levied are such as must be imported from other countries, particularly those having a tropical climate. This seems to be in accordance with the generally observed rule that duties for "revenue only" should be levied upon such articles as meet with no opposition from home production. If a duty is levied upon an article of foreign production, which is also produced by home industry, the manufacturer reaps the benefit, and not the treasury, owing to the fact that he can derive a greater profit from the sale of his goods, and still undersell his foreign competitor to such an extent as to control the market.

Advantages Claimed for Free Trade.—The exponents of free trade in England claim several advantages for such a policy. The impression seems to be that duties interfere with trade, and that anything that interferes with trade is injurious to the best interests of the nation. The exchange of commodities is considered of mutual benefit to the parties thereto. This view of the case is based on the fact that if the wealth of a nation were to be determined by the excess of exports over imports, or the poverty of a nation by the reverse, then England would show a tremendous deficit from this cause alone, which is far from the case. England's insular position, and the possession of colonies all over the globe, have also been features influencing that Government to maintain free trade conditions. Whether correct or not, the idea is held by many that such a policy exerts a greater binding effect upon the Empire. One feature of this policy, apparently possessing considerable force, is that under a free trade régime it is practically impossible to form the immense trusts and business combinations which flourish in countries having a high protective tariff.

Cobden, one of the earliest apostles of free trade in England, was of opinion that shortly after the English adoption of a free trade policy, all the other nations would follow the example. But sixty years or more have elapsed and instead of discarding their protective policies, the other nations of the earth have raised their tariff walls, until to-day the spectacle is presented of one nation offering free access to all the products of other nations, but whose entrance into the markets of other nations has been restricted.

According to students of British affairs, the sentiment in favor of a protective tariff appears to be gaining ground there. The benefit, however, of the trade policy of a nation can be best determined by observing it in operation, and the commercial advancement which is made by the country in which it is employed.

Protection in Germany.—Count Bismarck, former Chancellor of Germany, at one time was favorably disposed towards the principles of free trade, but in 1879 inaugurated a policy of protection. Duties were imposed upon all grain, wine, tobacco, wood, iron, coal, oil, coffee, etc., entering German ports. This policy was maintained unchanged under the rule of the present Emperor until 1893. After that date, certain reciprocity treaties were entered into with some of the adjoining European countries, but the agricultural element of the country becoming dissatisfied, a new revision of the tariff was effected in 1904, and duties on food and industrial products were increased. During the years 1902-1904 the sum collected in duties amounted to 549,000,000 marks, while of this amount, 398,000,000 marks were levied on breadstuffs and cattle alone.

Conditions in France.—In France, tariff protection has long been the rule. Various changes have been made in the amount of the duty imposed, from time to time, but the general tendency has been upward. Trade treaties in force at the close of the war with Germany prevented raising the tariff at a time when greater revenue was

needed, but on the expiration of these treaties in 1882, all the rates were increased about twenty-five per cent, and all subsequent changes have been made in the same direction. Manufactures and exports are affected by the limited amounts of raw materials existing in this country. Articles such as raw cotton, silk, wool, coal and timber are imported in large quantities, while manufactured articles constitute more than one-half of the exports.

The manufactured products of France are in a class by themselves. They are confined in general to articles, small in bulk, but extremely accurate or artistic in construction. Many of the finest scientific instruments are manufactured in Paris, while the French also excel in articles of chinaware, crockery, glass and other art objects.

Conditions in Russia.—Russia is an instance of another country whose manufacturing interests have benefited through a protective tariff. Previous to 1820, when duties were not imposed to any extent, the Russians did very little manufacturing. With the assistance of a protective tariff, many new industries were established. The duties were high, amounting to 35% of the value of the articles. On some articles, such as iron and steel, this was found excessive and has since been reduced.

Tariff Laws of the United States.—The tariff of the United States, with which we are most intimately concerned, originated almost immediately after the formation of the Government. Its original purpose was to supply revenue, and whether it should have been modified to partake of protective features is a question upon which the political parties have always been divided.

Previous to 1816, and between the years 1846 and 1860, some steps were made in the direction of free trade, but such a goal was never completely attained. Tea, cocoa, pepper, spices, wines, liquors and sugar were originally subject to a specific duty, while an *ad valorem* duty was imposed upon other imports. Vessels engaged in foreign trade paid a certain amount, according to their tonnage,

toward the revenue of the country; foreign vessels being taxed more heavily than those owned at home. The resolution providing for the above was introduced by James Madison and became a law July 4, 1789. As the years passed on, very little change was made in the tariff rates. Previous to the Civil War, the Democratic Party, which was in power, had reduced the duties to a point approaching free trade, but the tariff was still not according to free trade principles, since articles such as coffee and tea, upon which a duty might logically be levied for revenue, were admitted free.

In 1860, an important change took place. Specific duties were submitted for ad valorem, and upon almost every article the rate was increased. As more revenue was required for war expenses, each succeeding session of Congress added to the duties already in force. For instance the average rate upon all items, which in 1862 was 37.2 per cent increased during the two following years to 47.8 per cent.

The Tariff During Recent Administrations.—At the close of the war, prices and conditions gradually resumed their normal conditions, without reduction of the war tariff. The country apparently was satisfied with this schedule and no attempt was made to effect any change until the year 1883. Then some slight reductions were made in the duty on raw materials. President Cleveland who was in favor of a general reduction was defeated for reelection in 1888. The McKinley bill was passed raising the duties again. Under the next administration the Wilson bill once more reduced duties. A period of financial depression ensued and the Wilson bill received the credit for the same, from its opponents. Later the Dingley bill was introduced, which after the usual debates and delays became a law. This bill increased the duties again, and the country prospered. The high tariff adherents thereupon claimed that the tariff was the cause. Opponents of the policy said that the prosperity was a result of the development of the natural resources of the country, and that the tariff instead of being a benefit, was

rather the reverse, and that it facilitated the formation of trusts and monopolies.

The country at large was not satisfied with the Dingley bill, and the question of tariff reduction was an issue in the election of President Taft, in 1908. As a result, the Payne-Aldrich bill was enacted, going into effect in 1909. The reduction of duties effected by this bill—as will be seen by a study of the comparative tables given herewith—was very slight.

Question Still Unsettled.—The proper regulation of our duties, therefore, will be seen to have remained an open and very disturbing question. Just which view of the situation is correct is a political rock upon which men and parties have split in years past and will probably continue to do so. The preponderance of public opinion in this, as well as many other countries, appears to be in favor of a certain amount of protection, and while it is to be expected that modifications and revisions will undoubtedly be made from time to time in tariff laws, it is extremely doubtful if the principle of protection will ever be completely uprooted. As a matter of fact, the immensity of the United States and the vastly different interests which must be served make the preparation of a tariff schedule a matter of great difficulty. The cattle raiser of the West wishes a duty on hides, while the boot manufacturer of the East fights to have it removed, and what is true in this illustration applies to nearly every line of business. The interest taken in the tariff by any individual is to a great extent governed by his occupation. The vast majority of people accept the tariff burden in the same spirit as they endure the heat of summer or the cold of winter—as something from which they can not escape.

Who is Most Affected by the Tariff?—Tariff provisions do not as a rule appeal with an overwhelming force to the retail merchant. His selling price is determined by his buying price, and if one is increased or diminished so is the other, and his rival is subject to the same con-

COMPARATIVE TABLE OF TARIFFS

<i>Article</i>	<i>McKinley Tariff</i>	<i>Wilson Tariff</i>	<i>Dingley Tariff</i>	<i>Payne Tariff</i>
Butter, cheese, and substitutes...	6c. per lb. Free	4c. per lb. Free	6c. per lb. Free	6c. per lb. Free
Tea and coffee.....	1½c. per lb. (below 16, D. S., free)	Below 16, D. S., 40%. Above 16, D. S., 40% and ¾c. per lb.	Below 16, D. S., .95c. per lb. Above 16, D. S., 1.95c. per lb.	Below } No change Above }
Sugar (above 16, Dutch standard).				
Eggs	5c. per doz.	3c. per doz.	5c. per doz.	No change
Fish (smoked and dried).....	¾c. per lb.	¾c. per lb.	No change	No change
Apples	25c. per bu.	20%	25c. per bu.	No change
Potatoes	25c. per bu.	20%	25c. per bu.	No change
Wheat	25c. per bu.	20%	25c. per bu.	No change
Beef, mutton, pork.....	2c. per lb.	20%	2c. per lb.	1½c. per lb.
Ready-made clothing—Cotton ..	50%	40%	50%	No change
“ “ —Linen	53%	50%	50%	No change
“ “ —Silk	60%	50%	60%	No change
“ “ —Wool.....		50%	60% and 44c. per lb.	No change
Silk—Raw	Free	Free	Free	Classification
“ —Spun in skeins.....	35%	30%	35%	changed
Hides—Raw, etc.....	Free	Free	15%	Free
Wool—First	11c. per lb.	Free	11c. per lb.	No change
“ —Second	12c. per lb.	Free	12c. per lb.	No change
“ —Third	50%	Free	7c. per lb.	No change
Coal—Anthracite	Free	Free	Free	Free
“ —Bituminous	75c. per ton	40c. per ton	67c. per ton	45c. per ton
Tobacco, according to grade....	35c.—\$2.75 per lb.	35c.—\$2.25 per lb.	35c.—\$2.50 per lb.	No change
Cigars and cigarettes.....	\$4.50 per lb. and 25%	\$4 per lb. and 25%	\$4.50 per lb. and 25%	No change

VALUE OF IMPORTATIONS UNDER VARIOUS TARIFFS

	McKinley Tariff	Wilson Tariff	Dingley Tariff	Payne Tariff
Imports.				
FREE.....	{ Entire period.....	\$1,080,400,000	\$5,438,500,000	\$768,000,000
	{ Monthly average..	30,900,000	37,700,000	64,000,000
DUTiable..	{ Entire period....	1,132,700,000	6,821,500,000	794,600,000
	{ Monthly average..	30,900,000	47,400,000	66,200,000
TOTAL.....	{ Entire period....	2,213,100,000	12,250,000,000	1,562,600,000
	{ Monthly average..	63,200,000	85,100,000	130,200,000
Customs Receipts.	{ Entire period.....	485,000,000	3,121,800,000	327,900,000
	{ Monthly average..	13,900,000	21,700,000	27,300,000
	<i>1891-1894</i> <i>47 months in force</i> ¹	<i>1895-1897</i> <i>35 months in force</i> ²	<i>1898-1900</i> <i>144 months in force</i> ³	<i>1909—</i> <i>Present tariff</i> ⁴

¹ Excess of free over dutiable materials due to —16 D. S. sugar being on the free list. Leaving sugar out of consideration, only 39.56% of the total imports were admitted free.

² A reduction of about \$55,000,000 was caused in customs receipts under the McKinley tariff, due to reduced imports in the closing months under that act in anticipation of the passage of the Wilson tariff, whose revenues were correspondingly increased. Likewise, a reduction of about \$45,000,000 was caused in the customs receipts

under the Dingley act, due to heavy imports in the closing months of the Wilson tariff, whose revenues were correspondingly increased.

³ In a few cases the figures given for the entire periods in months may include a few days or weeks in which either the preceding or succeeding tariff may have been in force. ⁴ The figures for the Payne tariff, while marked for "entire period," as foregoing, are actually for only one year—i. e., the first year of this tariff's existence (1909-1910). This tariff is still in force (1910).

ditions. The individual who takes the most vital interest in the tariff may be a manufacturer, a mine owner, an importer, or in fact any one engaged in the work of distributing foreign productions, bringing to the surface the hidden treasures of the earth, or taking one form of material and out of it fashioning a different form of greater economic value. These are the people upon whom the tariff directly bears, or whom it directly benefits, while the farmer, for example, only feels it indirectly in increased prices. The mere fact that the importer must part with actual money at the port of entry, in order to satisfy the demands of the government, induces him to pay more personal attention to the magnitude of such demands than one of the rank and file, who, when informed at the grocery store that the price of oil has gone up, may ascribe the rise either to some private donation to the cause of education on the part of an oil magnate or to the necessity of the grocer's wife for a new hat.

A Necessary Source of Revenue.—A tariff is an essential source of revenue to every nation. The government of itself produces nothing, but instead requires support in return for the protection it exercises over the people. We have already referred to two methods of obtaining this revenue—a tax upon goods, and a tax upon the people directly for the amount required. Under the protective tariff system there may also be direct taxation to a certain extent, particularly for the support of local institutions, but a large portion of the revenue is derived from the duties on imported goods. Even this does not come out of the pockets of the people in its entirety. In many cases the price of an imported article in the United States is practically the same as abroad, notwithstanding the fact that the article is subject to duty on entering this country, because of the fact that the price here of many foreign articles is reduced in order to meet home competition.

Foreign Support of Revenue.—In this way the foreign manufacturer is made to contribute to the revenue of the

country for the privilege of trading, and apparently, is content to do so, if the tariff is not increased to such an extent as to be absolutely prohibitory.

Says Charles H. Clark in the "Saturday Evening Post": "It is not an uncommon delusion that the customs duty is always added to the American price. The truth is that in many cases the American price, with duty added, is no higher than the foreign price. Here are a few proofs of this fact. In the spring of 1909 Congress removed the duty from hides. At once the exporters in Argentina advanced the price of hides to the extent of the withdrawn duty.

"A few years ago, in response to a popular cry for 'a free breakfast table,' the duty was taken from coffee. The Government of Brazil instantly added it as an export duty. In both cases our Government surrendered revenue which was pocketed promptly by foreigners, and the American consumer derived no direct benefit of any kind.

"The McKinley tariff first imposed a duty of $2\frac{1}{2}$ cents a pound on tinplate, which then was selling for \$5.34 a box. The foreign price at once dropped to \$3.30 a box. Who paid that duty?

"In 1871 steel rails sold for \$102 a ton, and a duty of \$28 a ton was laid. In 1894 the price dropped to \$29.92. Who paid that duty? In 1883 the duty was reduced to \$17 a ton, and in 1898 the price fell to \$17.62. Who, also, paid that duty?

"An importer whom I know paid \$1 for a German linen article when the duty under the Wilson tariff was 35 per cent. Dingley put up the duty to 50 per cent, and the German exporter, rather than lose his trade, lowered his price to 90 cents. Who, I ask, paid the increased duty?

"I assert it to be the rule, with exceptions, of course, that the prices of European articles are lowered so that the American market may be reached. The result is that, in many cases, the American not only pays little or no more here than he would have paid in Europe, but the European actually relieves him from a part of his taxa-

tion. The tariff, then, actually saves money to masses of the American people.

"I may extend this matter a little further. The duties upon steel rails have indeed been high. But, under those duties, we have built one-half the railway mileage of the world; and whereas the average freight rate per ton in Great Britain is about 3 cents a mile, in the United States it is—conducted over those very rails—four-fifths of a cent a mile, or without doubt the lowest rate in the American people, instead of increasing their expenses.

"In what manner, then, has a high duty upon rails hurt the American citizen?"

The Farmer and the Tariff.—The farming class has often complained that the various tariff laws have discriminated against agricultural products in favor of manufacturers. The opponents of this contention claim that no injustice can exist if the only assistance given the manufacturer is that afforded by the protective feature of the tariff. On the other hand, they point out that millions of dollars have been expended by the Government in the extermination of various insect pests injurious to crops, in the reclamation of waste land, in the distribution of seeds, in the analysis of soils, and in many other ways—all for the benefit of the farmer.

It will thus be seen that, no matter from what angle this vexed subject is viewed—revenue, protection, increased cost of living, and what not—debatable points at once arise preventing definite conclusions.

4. STOCK DEPARTMENT

Closely allied with the purchasing department of a business is the stock department or stores-room. A careful and systematic handling of the supplies has a very important bearing on business success. An exact record must be taken of the stock in trade, supplies and property of all sorts, the nature of this record being governed by the character of the business.

Need of System.—The purchasing agent is responsible for keeping the stock of supplies up to the requirements. He must inform himself regarding all supplies that are received or delivered, be aware of their condition and location, and when any line is running short he must see that it is replenished. To perform the actual physical work necessary in the storeroom, he may employ a stock clerk with any number of assistants, or in a small concern the receiving clerk may perform such duties. But the person or persons in charge of the storeroom must see that the supplies are properly distributed, and be capable of keeping necessary records, in order to keep the purchasing agent thoroughly conversant with the conditions regarding the stock, and the amount of each article or material on hand.

The Inventory.—The initial step to be taken when systematizing this department, is the preparation of an inventory. If a record is made of everything on hand, to which is added all supplies subsequently received, and from which everything used is deducted, it amounts to a perpetual inventory. This should be checked occasionally with the stock on hand, either in its entirety, or any variety of goods may be checked up at a given time.

An inventory to be of any value should be complete, regardless of the labor necessary to make it so. Formerly in large manufacturing plants it was necessary to shut down for a period of from two or three days to two or three weeks in order to do this. As a consequence, an inventory was seldom taken more frequently than once a year, and very often a longer period elapsed. When a proper method of taking inventory is employed, there should be no necessity for shutting down a plant for more than a day or two, if at all. Before beginning, those entrusted with the duty should have a clear conception of the work to be done, and every possible condition should be anticipated and provided for in advance. For a few days previous, every foreman or head of a department should inaugurate a cleaning-up and sorting régime. This need not interfere with regular work and

contributes greatly toward facilitating subsequent operations. On the day appointed the work begins rapidly and systematically over the entire plant.

Cards of different colors may be employed, upon which are set down full particulars about the various articles. Among the points mentioned will be the character and location of the article in question, where obtained, and at what cost. If it is an article of machinery, any additions, repairs and cost of same are noted. Its depreciation and probable life are estimated, and finally its net value.

Records of Machinery.—When machinery is installed, all the information possible to obtain about the maker, number or designation of its parts, etc., should be recorded. Then if any accident occurs, the makers of the machine are known. Only by keeping record of the time machines are in operation, the amounts expended upon them for repairs, and other information of a similar nature, can any reasonably accurate record be made. In estimating the value of small articles made on the premises the cost of the material and labor must be taken into consideration. It is also well to note upon the record card, when and for what purpose they were made, together with the statement of their actual value.

Articles such as drawings and patterns are somewhat difficult to estimate. Their cost of production has but little bearing upon their commercial value. Expensive models and patterns, although in perfect condition, may pass out of fashion or become obsolete and thus lose their value. In consequence, the apparent value of articles of this description must be reduced to a considerable degree for purposes of an accurate or permanent inventory.

Materials and supplies may embrace a great many articles which should be classed under specific heads. It is generally sufficient to note the amount and character of the material, for what purpose it was obtained, and its value. The completed cards form a detailed record of the stock on hand. (See *Inventories*, p. 469.)

Storage System, How Installed.—When installing a storage system in the beginning, the first essential is to provide a suitable room or building for the purpose. It is desirable to have the supplies as near to where they are used as possible, and in many cases it is advisable to have a separate storeroom for certain materials in connection with each department. In a trading business the stock-room is usually divided into a number of departments having a manager in each. The storerooms should be fitted with shelves, racks, bins, or whatever means is most convenient and suitable for the different materials. Common sense should be used in the disposition of the various articles. For instance, it is better to place comparatively heavy articles on benches about the height of a truck rather than on the floor, and thus avoid waste of time and strength. Articles which are much in demand should be within easy reach, while anything for which there is but little call may be placed in more out of the way places. However, a rule which must be observed, is that everything should be put in the place assigned to it, and nothing should be deposited in the storeroom, or removed, without the knowledge of the stock man or the person who is in charge of the department.

All supplies as they are received must first pass through the receiving department, where full particulars of the same are recorded. When a consignment of goods is presented to the receiving clerk, he consults his copy of the purchase order which was received from the purchasing department at the time the order was placed. If the items of consignment agree with those on the order, he is at liberty to receipt for the goods and have them passed along to the storeroom. If he finds no purchase order in the file for such goods, he has no authority to receive them at all, and what he should refuse is frequently of more importance than what he should receive. Sometimes, subsequently to the placing of an order, circumstances may arise which render it inadvisable to have further dealings with a concern from whom goods were ordered. Under such conditions the receiving clerk must

be notified to this effect, for if the goods are presented and accepted, his firm may be held for payment.

Returned Goods.—Sometimes goods previously sold may be returned by the buyer. If the house has been notified, they may instruct their receiving clerk whether to receive or reject them when presented. A safe rule for a receiving clerk to observe is to accept nothing without instructions to that effect from some one in authority.

In the instalment business, a contract is usually drawn up whereby the buyer agrees to pay for certain goods in a number of periodical payments. Some time later the purchaser, in order to get out of the keeping and paying for the goods, may return them. In such an event, if the receiving clerk accepts them, the contract becomes of no avail.

Routine Business.—In the regular routine of business, however, when no irregularities are present, the purchase order held by the receiving clerk is checked, or a receiving slip is made out, and the one or the other, according to the plan in use, is sent to the purchasing department. When the goods are delivered on a requisition to any department, a receipt must be taken on their delivery, and in cases where the goods are delivered by the manufacturer directly to the department for which they were ordered, a receipt for the same should be sent back to the store clerk to complete his records. Upon the store clerk devolves the responsibility of keeping the stock in order and recording all orders upon the stock, specifying for whom or what it was delivered. Here a cast-iron rule is that nothing should be permitted to pass out of his hands without a written order from some one in authority. Requisitions are often written on sheets of different colors to distinguish more easily between those coming from different departments. They are usually made in duplicate, the original sheet to the store clerk and the copy held by the department until the goods are delivered, when both are sent to the cost department, one serving as a check on the other.

Sometimes a third copy is made, which remains in the hands of the store clerk. A customary form of requisition blank has provision for stating the number or name of the department, the date, the amount and description of the goods, for what job the goods are required, and a serial number, and is signed usually by the foreman. There are also columns for filling in the prices of the goods, which is done in the cost department, and a place where the time and to whom the goods were delivered may be noted. In conducting a tool-room, various methods have been employed for recording tools given out to workmen. The practise requiring men to sign receipts for tools is not to be recommended in view of the time wasted by this method. A better plan involves the use of checks which may be exchanged for tools, and entered upon books numbered according to the number of workmen. The method may be modified to show exactly what each workman has received, and requires but very little time. Some kinds of stores ought only to be given out on the return of the old stores, such as files and brushes, and an excellent check is thus provided.

Recording Supplies.--For recording supplies under his control, the stock clerk should be provided with a sufficient variety of blank forms to make possible a somewhat extended classification. It is usually sufficient to state upon these forms the date and quantity of material received, the date and quantity delivered, and the number of the requisition. When an inventory is taken the difference may be set down as stock on hand. The name, character, and uses of each article are also essential, and the maximum and minimum quantity that should be on hand. When the minimum limit is reached, it is the stock clerk's duty to notify the purchasing agent to that effect, in order that the supply may be increased. As frequently happens, a foreman in preparing his requisition may order more material than is actually used. The excess is then returned to the storeroom, and the cost of the balance is deducted from the department and job against which it had been charged when the goods were obtained.

If it so happens that the balance of the material can be used on another job, due credit must be given to the first, and the proper amount charged up against the second.

Importance of Accurate Records.—In conclusion it may be said that without the installation of a system of records in the storeroom, a cost department in connection with any business is without avail. In addition to this an exact knowledge of the stock on hand may be obtained at any time. In a trading business the slow selling materials are thus discovered, and efforts made to push the sale of the same. Dead stock is also prevented from piling up, and the stocks which sell rapidly may be obtained systematically so as to keep a sufficient supply on hand without tying up capital that may be used to better advantage. There is no reason why the records of the storeroom should not be worthy of as much solicitude as the cash-book. A dollar is a dollar whether in form of currency or goods, and a stores system, to be of any value, must run with the same degree of accuracy as is exercised in the accounting department.

5. INVENTORIES

Stock-taking denotes the various processes involved in securing an accurate and detailed list of all the articles, stores, or materials in the possession of a firm. When the prices of the various articles are filled in, the list, or "inventory" as it is termed, becomes an important feature in the accounting records of the concern.

Object of Inventory.—In former years a determination of the value of the materials on hand was the sole object of an inventory, but such has long since ceased to be the case. Fire insurance companies demand information from the owner regarding the value of stock upon which they write a policy, although the estimate of their official appraiser is also given due consideration. It is likewise essential that an inventory be taken every time a report on the financial condition of a concern is desired,

as without the same no accurate statement of profits and losses can be obtained.

Importance of Accuracy.—The importance of an accurate inventory can not be overestimated.

In a great many cases, the work of taking stock is looked upon, both by those in authority and the employees under them, as an unmitigated nuisance. However, as it has become more or less of a habit to dig into dusty bins and out-of-the-way corners of the plant about once a year, the process is gone through when the appointed time arrives. Articles are counted, perhaps accurately, perhaps not. The person doing the counting feels sure that no one will follow him up for mistakes, and merely expends sufficient time on the operation to relieve himself from the suspicion of guesswork, although one clerk, more conscientious than another, may use his best endeavors to arrive at accurate results in the work assigned him. The entering of the prices, perhaps at the hands of another corps of clerks, furnishes another source of error. One may enter the market price, another the cost price, while on machinery, fixtures, etc., no one knows what amount to enter. Such a thing as the systematic reduction of the value ascribed to an article from year to year, as an allowance for the depreciation it has undergone in service, is a thing unknown. (See *Depreciation*, in this volume.)

The original bill may be obtained and an estimate formed, but the succeeding inventory may be in the hands of others, and at the end of another year's service an even greater value may be assigned to that particular machine. Scores of instances might be given of carelessness in the work of stock-taking, but such as have been stated are sufficient to show the laxity that frequently prevails.

An inventory taken in the fashion described is useless; in fact, it is worse than useless as the time expended might have been employed to better advantage. No useful purpose has been served, no information obtained, and this is the reason that there are hundreds of concerns

which have never taken an actual inventory during their existence. Why this should be so in cases where an accurate inventory is obtainable is difficult to understand.

Need of Exact Inventories.—A person would not place a sum of money in the cash drawer, without taking proper precaution for its protection, and while his employees may have the authority to spend the money in the interests of the business, the owner will most assuredly insist upon knowing the particulars of the expenditures. On the other hand, how often it is the case that once the actual cash is expended in purchasing materials, the owner's interest apparently disappears. In the cash account everything must be right to the penny, but in the stock-room materials may be wasted, lost or stolen, without exciting any great degree of concern.

This lamentable state of affairs, however, is rapidly disappearing. Business people have begun to realize that in order to keep in the race, advantage must be taken of every opportunity to improve their financial standing, while with the same object in view, all leaks must be ferreted out and stopped. To install a thoroughgoing system, where looseness has been the rule, is a move not without its difficulties, but it may be effected with but a slight degree of friction if the one engineering the change employs a moderate amount of tact and diplomacy.

Preparations for Stock-taking.—A map of the building or buildings upon which is indicated the location of the various departments is of incalculable value in beginning the work of stock-taking. The floor space occupied by each department is also shown, and thus the location of each class of items in the building is clearly indicated, as well as the department to which it belongs.

All articles of a more or less fixed or stationary nature are supplied with a number. This would mean such articles as engines, boilers, dynamos, or machines in the factory; and desks, chairs, tables or typewriters about the office.

Assigning a number to articles of the above description

serves several important purposes. It serves as a means of identification, so that a permanent record of each individual article may be kept from year to year, upon cards designed for the purpose.

Card-Record Items.—In case of fire, a reference to the cards will reveal exactly what items are missing. All such articles are recorded with the cost price and the estimated depreciation of the article. The cards for this purpose have provisions for showing the name of the article, the serial number of the manufacturer, and the identification number of the owner. The size, or other descriptive feature is entered—from whom and where it was obtained, and at what price, including the purchase price, and the cost of transportation and installation. The life of the article is estimated, and spaces provided for noting the same, and the percentage that is to be deducted each year from the value ascribed the previous year. All these points can be written up when the article is obtained; then in spaces for the purpose are noted: the year and date of the inventory, the building, section and department where the article or machine is located, and remarks as to any improvements or expenditures for repairs; also an amount is written off for depreciation, and finally the net value of the article is estimated at the time the inventory is taken.

Cards Constitute a Perpetual Inventory.—The card is of sufficient depth to allow consecutive entries for a number of years, and will show not only all changes in location, but all repairs or changes that have been made in the article itself, with the consequent change in value. In short, each card constitutes a complete history of the article, and when every building, every machine, and every piece of furniture or other article of a like character is recorded in this manner, the cards virtually form a perpetual inventory of such articles, provided that everything which affects the article is recorded right up to date. An inventory of this description is of the utmost importance, in case it is ever desired to sell the business,

especially if it has been continued for several years, in which case the values would seldom, if ever, be disputed by a prospective buyer.

Classification of Articles.—The next step in preparation for taking stock is to decide upon some convenient classification of the various items. A detailed classification is essential for the satisfactory operation of the stores department, but these classes should be such as may be grouped under a few comprehensive heads, the totals of which enter into the controlling accounts.

A classification of the property of a manufacturing concern, devised by an authority, is as follows:

First class.—All the real estate owned by the company. This includes not only the land upon which the buildings are placed but all that is owned by the concern, and used in connection with the plant proper, for warehouses, stores, etc. A separate card is made out for each building to which is assigned a distinguishing number, and a complete description of each building should be written on the card in the manner already described.

Second class.—All the furniture and fittings required for use in the offices of the concern. Under this head would be placed, desks, chairs, tables, typewriters, calculating machines, etc., but a distinction must be drawn between fixtures for office use, and those of a similar character used in the shop. In the one case, the cost of their use represents a commercial expense, and in the other a manufacturing expense.

Third class.—All equipment that is of the nature of tools or machinery. This class embraces the different elements employed in the power plant, such as boilers, engines, dynamos, pumps, and the various machines, such as lathes, drill presses, shapers, milling machines, etc. Belts, shafting, tackles, etc., are also included. A point which should not be lost sight of is that a machine not in use is not to be included in the above class. By that is meant, that a machine purchased and in the storeroom must be considered as stores until it has actually been installed and is in use.

Fourth class.—Shop fittings and fixtures, such as desks, chairs, lockers, benches, trucks, racks, and anything that could not properly be classed as a large machine or working tool.

Fifth class.—Smaller miscellaneous articles and tools of daily use, such as hammers, files, chisels, drills, tongs, etc. There is always a large number of articles of this description in a manufacturing plant.

Sixth class.—All patterns owned by the concern. Drawings may be placed in a class by themselves. Patterns and drawings are among the articles in which the greatest difficulty is encountered in assigning a proper valuation. Many of these articles become obsolete and are worthless, and as it is comparatively difficult to foretell the changes that may occur in styles from season to season, it is considered advisable to place a very moderate value on all patterns and drawings, except those which are standard and have stood the test of time.

Mercantile Business.—A similar classification can easily be arrived at for a wholesale or retail business, and the succeeding steps would be the same. Suppose, for example, it were a wholesale grocery. The general classes would include: (1) bulk goods, such as coffees, teas, spices, and sugars; (2) case goods, such as breakfast foods, starches, etc.; (3) canned goods, such as preserves and food products; (4) liquid goods, such as sirups and flavoring extracts; (5) miscellanies, etc., etc. Further classification would be made to suit the lines of business; and each general class would in turn be subdivided.

Preliminary Instructions.—In order that the work of stock-taking, once begun, may progress smoothly and rapidly, every one engaged must have a proper understanding of his duties. For this purpose, those having the work in charge should thoroughly instruct their subordinates previous to the time the work is to begin. With regard to incoming supplies, those which have not been received at the date of stock-taking, even if the invoice for same has been received, must be left out; al-

though goods received, but unloaded or unopened, may be included and inventoried from the invoice.

Upon the receipt of instructions, each foreman should endeavor to put all the stock and equipment in his care into such shape as will be most convenient to count, while the superintendent should endeavor to get all jobs completed if possible before the work of stock-taking begins. All old stock and scrap should be gotten rid of if possible, but if any remains, it must be clearly described in the inventory. In the same way, special notice should be paid to unsalable or damaged articles, and articles or materials which are not in their appointed place should be returned to where they belong.

First Step in Stock-taking.—When the day for stock-taking arrives a corps of clerks distributes tags through the various departments. On these tags, which are made and numbered in duplicate, provision is made for entering the date, the shelf or bin, section or department and building where the material or article is located. In a manufacturing business, if the item is such as may be classed as finished stores or work in progress, details of the same are given, particularly the last operation to which the article has been subjected, which is essential in computing the value of the article. On another portion of the card is provision for details concerning general stores or equipment.

These cards are placed on every machine, and on every rack and every bin, where any material is kept.

Second Step.—Then other clerks follow; the stock is weighed, counted and measured, and the result entered upon these cards. The foreman of the department should superintend the weighing, counting and recording of the items, and as in many cases the foremen are in position to be better acquainted with the prices of many miscellaneous articles than any others, it would be well for them to note the same upon the cards. After the stock has been weighed or counted, none should be removed until the tag has been taken away. Cards used in stock-

taking in a trading business, after the contents of a bin or shelf has been counted and entered thereon, have a column in which are noted any articles removed to supply the demands of a customer during the day. Then the difference between the amount when counted and that which has been removed is the figure incorporated in the inventory.

Conditions differ in a manufacturing plant, and there is much less liability of confusion if no changes or abstractions are made after the inventory has begun. Even if an article is found in a department to which it does not belong, it should be inventoried where it is located. When the tags are written up, both original and duplicate, the duplicate is attached to the article or material and the original retained by the clerk.

Estimating Weights or Accounts.—Where stock can not be counted or weighed, the number or weight must be estimated. This should be done with the permission and in the presence of one of the higher officials. That the result was estimated rather than calculated should be noted, and the card signed by the official. Before any tags are removed, the foreman should ascertain for a certainty that no article has been overlooked. If such is the case, and everything has been recorded, the tags are removed and passed into the office, a note being made of the last numbered tag used in each room. Any unused tags must also be returned, in order to get a complete check.

Recording and Classifying Results.—When this part of the work has been completed, the next process is to ascertain and record the prices of the stock and equipment. The inventory tags should be classified so that all articles of a similar character may be placed under one head. A classification of the various articles required in the work of manufacturing has already been given. In taking up the materials consumed in construction we find several divisions. Under the head "General Stores" is included all materials required for the manufacture of goods, or

office or factory supplies, such as stationery, waste, oils, etc. Repair parts for machinery and small tools are classed under the same head, and also complete machines which have not been installed in the factory and are not yet in use.

Under a second head is placed what we will term "Work in Progress." An inventory of work in progress will include all material delivered by the storeroom to be used according to some certain order or orders. If the material has passed through one or more processes, the final one must be noted in order to calculate the value of the labor expended upon it.

In a third class is placed semifinished stores. Some authorities believe in placing semifinished stores under the head of Work in Progress, but inasmuch as they are completed so far as the order for their production is concerned, it is considered preferable to place them in a class by themselves. Semifinished stores refers to such articles as may be made up, a number at a time, and placed in stock until an order is given for the construction or assembling of that article of which they are an integral part.

The fourth class covers all articles known as finished stores and includes such articles as are made by the factory and sold without undergoing any further process of manufacturing.

A fifth class, merchandise stores, embraces such articles as are bought for the purpose of selling again, and consists of articles such as lubricants, acids or chemicals, gloves, or tool-kits, etc. These five classes cover everything, so far as opening controlling accounts in the private ledger is concerned, but for purposes of store-keeping, each must be subdivided a number of times.

Ascribing Values.—Let us now turn to the valuation aspect of an inventory. It is a fundamental fact that a profit can be derived only by the sale or exchange of one article for another. That which is received may be cash in such an amount as will equal the cost of production of the article given, together with such an amount as may produce the profit desired. If anything other than

cash is received in exchange, it must be something which can be converted into cash of the proper amount.

Accuracy in Valuation.—An inventory to be of any value, as has already been stated, must be accurate, not only in the actual counting but in the values ascribed to the various articles as well. Not infrequently when the owner of a business is desirous of selling out, he is liable to overestimate the value of his stock. Suppose he enters up the full market price of the stock on hand. The purchaser upon such terms can certainly expect to make no profit on the stock he has bought, and will be extremely fortunate if he disposes of it without suffering a loss. On the other hand, the cost price will not allow the seller any chance for profit. The only proper valuation to place on goods under such conditions is a fixed percentage over and above the cost price, and by goods is meant all raw materials, and all wholly or partially manufactured products that are on hand.

This valuation exactly balances all charges for materials, labor and various expenses. According to market conditions, the cost price may be either greater or less than the market price, but it is not considered advisable to make changes in the valuation, in the effort to reach an agreement with market conditions. If, for any reason, the market price is less than the cost of production, the valuation should be left as it stands, but a certain reserve account set up to provide against possible loss on this account. If the market price is higher than cost, it is still wiser to leave the cost figures as they actually are.

It is unsafe to take advantage of a profit on paper until the article is actually sold, and the payment therefor received. The force of the above is seen when it is considered that for some reason or other the article might never be sold, and crediting oneself with the profit would be like counting the proverbial chickens before they are hatched. Even if the article were eventually sold, the market price might decrease in the meantime, and what was considered to be an asset might be found to have no existence.

Changes in Methods of Stock-taking.—Stock-taking methods have undergone radical changes in recent years. The day when a large plant had to be shut down from two or three days to as many weeks every year is gone. The desire of directors and stockholders for information as to the condition of affairs at shorter intervals than a year is largely responsible for the modern methods that have been introduced. At present, monthly reports rather than yearly are the rule, and to be in a position to issue the same has required the introduction of many changes, since it would be manifestly out of the question to shut down two or three days in every month.

In order approximately to ascertain the value of stock on hand with a reasonable degree of accuracy, continuous records must be kept.

Records of materials, partially completed products, and completed products are necessary each month to show just how matters stand in regard to the quantity and quality of each class of material on hand.

Information is based on the amounts received, and the amounts used, the difference of which would indicate the amount on hand. Then the record of workmen's time makes it possible to charge each production with the proper amount. When all these items are compiled, they should balance with the stock as entered upon the principal books of record.

The cost and quantity of materials purchased can be obtained from the original bills, and should be charged against the respective store account. The amount of the materials and time used is obtained from the production records for each product.

The objection is sometimes made that, where records are made of so many small accounts, sometimes by comparatively illiterate workmen, many mistakes are liable to occur; but as such mistakes have a tendency to average up, very little trouble is experienced that can be traced to such a source.

Reports are issued monthly, and no loss is experienced through having to shut down to take such an inventory. Such records have even proved sufficiently accurate in

their showing of profits to warrant the payment of dividends.

Cards and Forms.—Reference has been made to the inventory tags and the various forms upon which a record is kept of the stock and the equipment of a concern. The heading and rulings of these forms is somewhat arbitrary, and depends largely upon the character of the business for which they are used. They may be obtained from any manufacturing stationer, in stock varieties, although many concerns prefer to have cards made to order from designs of their own selection. Cards for recording different classes of materials are usually printed upon paper of different colors, each class of material having its particular color. The advantage of such a color system is at once apparent.

XII

PRODUCING COSTS

I. THEORY OF COSTS

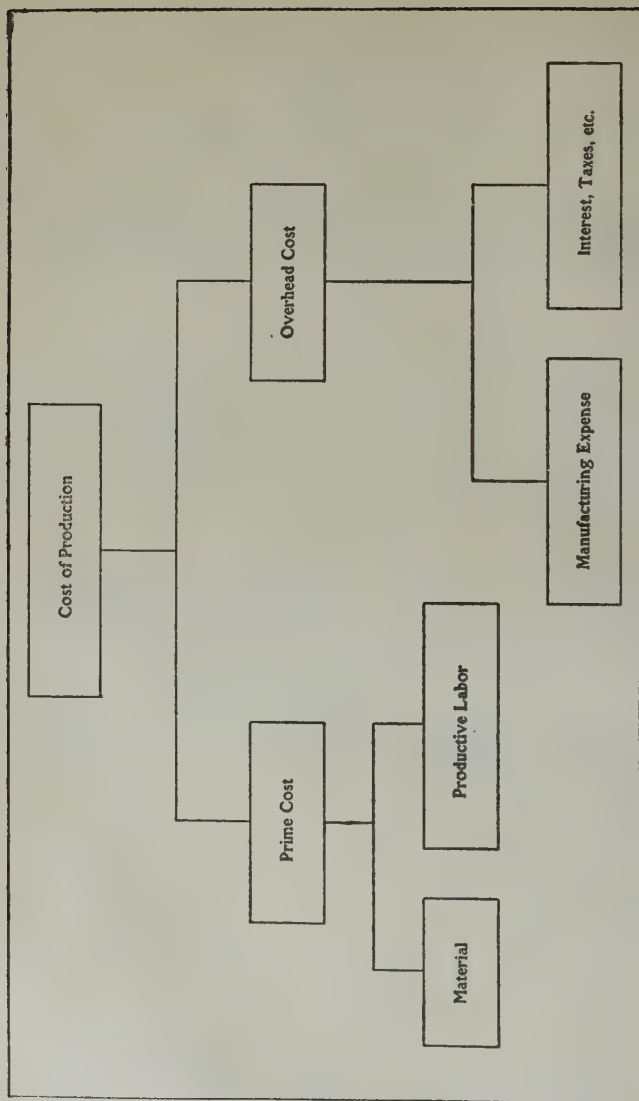
Definition—Objects—Essentials of Proper Cost-keeping—Relation of Cost to Financial Accounts—Adoption of a Cost System—Class of Product a Factor—No General System Possible.

2. ANALYSIS OF COSTS

Three Elements: 1. *Material Costs*—Stores—Continuous Inventories. 2. *Labor Costs*—Wage Systems—Time Records—Analysis of Pay-roll. 3. *Operating Expenses*—Various Terms Used—Bases of Distribution—Difficulties in Above Methods—The Machine Rate: (1) Space Cost—(2) Machine Cost—(3) Machine-use Cost—(4) Power Cost—Machine Total Cost—Idle Time.

3. COST RECORDS

Order Systems—The Cost Clerk—Importance of Exactness—Installation of a Cost System—Method of Working—First Steps Necessary—Withdrawals—Requisition—Summary Sheet of Materials Consumed—Time Reports—Labor Distribution Sheet—Incidental Expense Reports—Summary of Materials Consumed—Distribution Sheet of Manufacturing Expenses—Closing of Completed Order Numbers—Summary Sheet of Order Numbers Completed—The Main and Auxiliary Ledgers—Necessity of Frequent Statements.



DIVISION OF PRODUCING COSTS

XII

PRODUCING COSTS

I. THEORY OF COSTS

COST accounts may be considered of comparatively recent origin, their existence having been necessitated by the growing needs and complexities of manufacturing. The development of the factory system, the immense improvements in machinery and general manufacturing methods, and the great increase in intensity of competition, together with many incidental factors, have brought the manufacturer into touch with fresh markets where different conditions prevail, and have also brought competitors into his own market. Thus it has become necessary for him to know at all times the exact circumstances under which his business is conducted, so that he may be prepared for the influence of varying conditions upon his own trade. The conditions under which he can sell his goods in bulk or in detail are easily ascertained. But he must also know how he can purchase and manufacture to the best advantage. Hence has arisen the modern system of cost accounts.

Definition.—Cost accounting is a part of general accounting, and is the right arm of factory organization. It may be understood as providing for efficient records of the receipt and distribution of manufacturing materials; inventories of stores of materials; detailed accounting for expenditure for labor, productive and non-productive; a scientific treatment of manufacturing expense or establishment charges, processes and machines, the determining of the cost of operating machines, the rate to be charged for the work done by them; and

the assembling of all these charges to show the cost of production of a unit, lot, or process.

The cost of a product may be briefly defined as the outlay in money for materials, labor, and all other expenditures which are necessary to turn out the finished article.

Objects.—The prime objects of all systems of factory organization and cost accounting are:

1. To secure the highest attainable efficiency of manufacturing departments;
2. To know the cost of manufacturing;
3. To ascertain whether or not a business undertaking is profitable; and
4. To provide a means of determining the basis upon which it is advantageous to sell.

Essentials of Proper Cost-keeping.—One of the first essentials in the keeping of manufacturing costs is an efficient accounting system, providing for a thorough classification of expenditure, subdivision of which may be as minute as practical requirements demand, to ascertain exactly the character and the amount of the expenses of operation and maintenance of the manufacturing plant. In designing an accounting system for a manufacturing concern, the setting forth of the results of manufacturing and trading, the treatment of manufacturing costs, the classification of income and expenditure, the detail necessary, and the general arrangement of the system, are all matters for consideration. No one business will be found to be exactly similar to another in its organization, or in its business methods. According to the character of the manufacturing and trading, will it call for good judgment, and perhaps some ingenuity in arriving at what will prove to be best suited to its peculiar requirements. For this reason it is very desirable that careful study of the existing conditions should precede the introduction of a system of accounts for a manufacturing business already established.

Manufacturers have hesitated to adopt methods of

which they had but little knowledge, believing that the introduction of a cost system would mean the superseding of all the accounts previously kept, and the substituting therefor of a system of accounts containing much detail and both difficult and expensive to operate.

This may in part be attributed to the large number of manufacturers who have seen the industries they now control develop from small and unpretentious efforts to supply the demands of a limited community with their particular manufacture, to industries which, in many instances, are now of national importance. It is not to be wondered at that the conditions under which such tremendous strides were made should be considered equal to the requirements of the future, yet their continued success may depend upon an accurate knowledge of manufacturing costs.

Relation of Cost to Financial Accounts.—The difference between cost accounts and financial accounts may be shown by saying that the former are analytic, while the latter are synthetic.

Cost records endeavor to arrive at the net result of manufacturing by a separation of all details and particulars of cost, showing in the end, as it were, a series of small trading or profit-and-loss accounts. Financial accounts aim at grouping together the results, not of each item of work but of each class of expenditure.

The functions of cost accounts are peculiar to production. Those of the commercial or financial accounts are not. Cost accounts are restricted in their operation to a specific purpose. They may be dispensed with altogether, as is too often the case. Financial accounts must be kept continuously and exactly, even though they are of the simplest character.

Cost accounts which do not at any time come into agreement with the commercial accounts, and are not subject to those continuous checks which safeguard the accuracy of the latter, can not at their best be much more than memoranda, with more or less uncertainty as to the results obtained, according to the conditions under which

they are operated. The double-entry system of account keeping is the only true basis upon which the accounts of a cost system should be established. A system of cost accounts by which records of costs are maintained parallel with charges in the financial accounts for manufacturing materials, labor and expense, lacks completeness, and its accuracy is open to question when agreement with the financial accounts is not compulsory. If attempted at all, it may be omitted in busy periods. This failure to provide for an agreement between the financial and the cost accounts is an important point that must be emphasized. At first thought such a system has many seeming advantages, chief among which is the being able to close the financial accounts at any time, without the necessity of any entries being made therein from the cost records. A bad feature, however, is that in closing the financial accounts the condition of the cost accounts may be ignored altogether. It may, in particular instances, be even desirable and convenient that the books and records of the cost system be kept in another office by a cost clerk, or a number of clerks. If the system has been so arranged, it matters little whether the accounts of the cost system be kept in the same office with the accounts of the other departments, or at the factory or mill office many miles removed from the general office. It is a mere matter of detail to provide for the returns of operations and necessary transfers. In some manufacturing and trading concerns their productive departments are treated as if they were entirely independent. The product of these departments being solely for the trading department, the accounting relations are of a very simple character. In such instances, the factory accounting system is the cost system, with more or less elaboration of detail, according to the burden put upon it in this respect by the general accounting system. For the most part, such arrangements will permit of detailed information concerning cost of production being available in the general office without undue duplication of effort. Under whatever arrangement operated, the test of the relation of the accounts of the cost system to the financial accounts should be the

necessity for the latter accounts to contain the results shown by the cost accounts, in order to furnish the total amounts required for periodical statements of condition.

The more simple the financial accounts are, the more they will be appreciated; but efficiency should not be sacrificed for simplicity. A minimum number of accounts in one system of accounting is no indication of the number required in another system, though the operations of the one may be similar to the other, or nearly so.

Adoption of a Cost System.—The manufacturer may reasonably ask how much disturbance will be caused his operations by the introduction of a cost system. A workshop in which the production is not the result of complex operations presents a less difficult task than one comprising numerous departments with varied operations. A time limit should never be allowed to be a factor in the introduction of a cost system. The work of introduction is largely educative, and it may take a number of months before results are obtained which may be considered satisfactory. Employees, as a rule, are not appreciative of systems whereby manufacturing costs may be obtained. Even in the office there may be objections to new methods, for nothing tries out and tests a clerical staff like the operation of a cost system, but with a reasonable knowledge of the principles underlying its operation it becomes a pleasurable study of interesting problems, an ever-widening field of investigation, and an acquiring of valuable knowledge.

The introduction of a cost system will be materially affected also by the attitude of the executive head. The best cost system ever designed can have its working seriously impaired, if not negated, in failing to receive the active and more, the determined, support of the manager. Weakness, indifference, or carelessness in shop administration will from the very first be brought to light by a cost system, and if the factory manager is a party to such faults, that is, if he allows those shop evils to continue, which the new system will displace if carried out, and if he does not lend his assistance and authority,

toward that end all the time, then he must not complain if the successful working of the cost system is thereby materially retarded.

A further factor in the operation of a cost system is the clerical assistance. A cost system does not necessarily require expensive additions to the clerical staff, but it does require intelligent operation. Its efficiency will very largely reflect the efficiency of those responsible for its operation in a clerical capacity. The general introduction of a cost system, if the work is done intelligently, will proceed without any actual disturbance of the work of production.

Class of Product a Factor.—A concern producing continuously much the same class of product can adopt more easily a system of cost accounts than one in which the product is more varied. In such instances the cost of a particular output for a period, and not the units of manufacture, is all that will be required. This is not to say that the cost of the unit of manufacture is not obtainable, but that it is not desirable to deal in the cost accounts with other than the manufacturing cost of specified quantities of particular manufactures, from which the individual costs are easily available. The product of a workshop or factory, of which the manufacturing cost of the finished unit is necessary, calls for different treatment in the cost accounts to those manufactures which, for the purposes of commerce, are sold in units of quantities, specified either by weight or number. In production either to order, or by special contract, of units having a distinct identity, the manufacturing cost of each unit is desirable and necessary.

The cost of manufacturing processes of chemical and kindred industries, where conditions of production are met with which may be found to exist in the workshop or mill, shows that under certain conditions of production the allied efforts of the manager of a factory or department—with his technical knowledge of the work in process—and of the cost accountant, are very necessary to insure success in obtaining the manufacturing cost. It is not to

be expected that the cost accountant will also be a chemist, or an engineer; nor does a general knowledge of the product, and of the processes of production, make unnecessary the assistance of those in charge of the manufacturing processes. Having recognized the fact that all have an important interest in working together to know the manufacturing cost, it will be found both interesting and profitable.

Some reference may also be made to manufacturing operations where the materials used may include precious metal, such as gold. Conditions varying greatly from those common to working in other materials not so valuable must be provided for. And how they shall be provided for—where the dust barrel with its precious contents, and even the strainers of the sinks in the department lavatories are veritable Klondikes—reveals to us something of the varied application of the principles necessary to the obtaining of manufacturing costs.

No General System Possible.—A classification of manufacturing costs must be as diversified as the output itself, and any attempt to design a system of cost accounts applicable to all conditions of production, or for that matter, a limited number of systems of cost accounts, will fail of its purpose, because necessarily the business under such conditions is fitted to the system, and not the system to the business. These remarks are not intended in any way to reflect on the useful agency of card systems, loose-leaf records, and the many other ingenious helps, which are the product of clever and inventive minds, and which have aided so much in the operation of well-arranged and carefully conceived systems of cost accounts.

2. ANALYSIS OF COSTS

Three Elements.—One of the most delicate problems which has engaged the attention of modern accountants is that of the proper division of costs; and experts are by no means agreed as to the exact classification of

some items. For this reason we can not go further into this subject than to outline typical methods which have found general acceptance.

A careful analysis of the problem of producing or manufacturing cost will reveal three elements, as follows:

1. Material Costs.
2. Labor Costs.
3. Operating Expenses.

Each of these elements is subject to further classification and analysis, and will therefore be discussed in some detail in succeeding pages. The value of the material and labor used in the manufacture of a product, apart from any expenditure representing the expense of manufacturing, is termed the "prime cost," or the direct cost.

1. Material Costs.—The organization necessary to obtain accurate material costs should begin in the purchasing department, for if the records of purchase and receipt of manufacturing materials are efficient, it is reasonable to expect that the same orderly methods will follow in the distribution of materials to be used in manufacturing. The advantages of improved methods more than offset any extra clerical or other labor occasioned by them, and where the manufacturing operations are on a large scale they are indispensable.

Objection to the added expense of cost keeping should never be the final reason for not installing a cost system, but the expense of cost keeping should never be out of proportion to the manufacturing operations. Cost keeping would have accomplished much if it did nothing more than put a check on waste and loss in the handling of material, and its subsequent use in manufacture.

Stores.—All materials should be received into "stores." This term is used to cover all materials not being used in manufacture. It does not imply that all materials as received must be actually placed in a particular storeroom, but reasonable care should always be exercised to have heavy or bulky materials so placed that, while easily available, they are distinctly identified as stores. With

these exceptions it is desirable to place all materials in a storeroom in charge of a storekeeper, who is responsible for these and all the stores received by him. This means that the storekeeper shall be placed in a reasonable position, and afforded every means of knowing the quantity of stores received daily, the quantity of stores issued, and the inventory of stores on hand.

The system necessary to do this is not beyond the reach of any business. The storekeeper should be advised of every purchase, in such form that he may use it as his original record of stores received. The quantities of stores purchased from time to time will be in accordance with the requirements of the stores department, for which requisitions to order stores should be sent to the purchasing department.

It is in the issue of stores to manufacturing departments that apparent difficulties present themselves. Where only a part of the stores issued will be used at once, the quantity to be charged to the work in progress can only be ascertained when they are actually used. It may be necessary to establish substores in such instances. This must depend upon what the particular conditions call for. What is required is a record of stores issued, either for use in manufacturing or as a charge to the expense of operation. At the same time, it is to be remembered that these records, while efficient, must be without any unnecessary detail, either in form or in their actual use. Workmen are not partial to keeping records, no matter how simple. Good judgment must be used as to how much of this is necessary. Certainly where the time of skilled workmen is involved, it is more economical to use a shop clerk and, at the same time, possibly more accurate results will be obtained. Particularly where workmen are engaged in processes or operations requiring their constant attention, and of such a character as to be inconvenient to make records, a verbal requisition, or report to a clerk, is in every way more desirable and satisfactory.

The shop requisitions for stores will constitute the storekeeper's original record of stores issued, and will,

with the reports of materials used from substores, provide the basis of charges to material costs of the work in progress, and to the operating expenses, in so far as stores issued may be a charge thereto.

Continuous Inventories.—Some passing comment may be made on keeping continuous inventories of stores. As to whether these inventories should be kept written up in the office from the storekeeper's records, or the writing up of inventories be the duty of the storekeeper, depends very much upon the particular operations concerned. If the inventories are kept in the office and written up by a clerk, then, in the case of particularly well-equipped manufacturing concerns with extensive operations, they may be supplemented by a storekeeper's inventory of quantities only, kept in his department. Periodical requests from the office as to the quantity of stores of any one class on hand at a particular date will afford a check on the accuracy of the inventory of that class of stores, and in this manner the inventory of all stores may be checked several times a year. Allowing for ordinary fluctuations in market prices, which allowance may be minimized by constant averaging of price lists, the total in value of the inventory should agree with the ledger values.

2. Labor Costs.—Labor may be divided into two classes—productive and non-productive. Productive labor can be definitely identified as belonging to a particular piece of work. Non-productive includes all labor not contributing directly to production, but necessary in the operation and maintenance of the shop or factory. For the purposes of obtaining labor costs the fact of labor being skilled or unskilled does not indicate to which class it belongs, although it is to be expected that skilled labor, in the sense in which this term is used, will be productive. The term "labor cost" is used to describe the cost of productive labor charged in the cost accounts to work in progress of manufacture. The tendency of this cost to increase, caused by organized effort to obtain increased

remuneration for shorter working time, or from other causes, makes accurate costs absolutely necessary, if the selling price is to be regulated to afford a satisfactory return to the manufacturer.

Wage Systems.—The systems of labor remuneration in general use are a rate per hour of time worked, and the ordinary piece-work system, whereby the workman is paid for the work he has done at rate per piece or equivalent thereto. These have been supplemented in certain industries or superseded by improved systems. The object of these systems is to increase the output, thereby reducing the manufacturing cost, while affording increased remuneration to the workman. This increase is effected by offering a premium for the output of work under the time adopted as the minimum time in which such work can be completed. The premium offered is practically sharing with the workman the value of the time saved in production. In doing this, a saving in expenditure for wages is effected, and allowing for extra strain on machinery and the expense caused thereby, is a further saving in the manufacturing expense.

Time Records.—Every workshop or mill has some system of checking their employees in and out. Many of these systems either consist of, or have in operation, one or more of the numerous mechanical aids which have been invented for obtaining records of employees' time for pay-roll purposes. (See *Labor-saving Devices*, p. 294.)

Methods of obtaining labor cost are determined largely by the character of the manufacturing operations. It is to be kept in mind that the making of records of the time chargeable to work in progress should not mean the loss of time of skilled workmen, nor does it insist upon workmen doing that which it may not be convenient or practical for them to do. The fact that the workman is the original source of information concerning the charging of his time does not imply that he be required to make the charge. The daily time-card is essentially for use by the workman, and apart from his ability or his

willingness to use it, and the economy of his doing so, it may be questioned if he is rendering the best value when actually making records, which a clerk by training and occupation is better qualified to do, and at what may prove to be less expense. Therefore the methods it is intended to put in operation should be carefully reviewed. In some industries it is practical for workmen to furnish records of time worked, and the nature of the work they are engaged upon permits this to be done without its being burdensome, or causing any real loss of productive time. When the same class of manufacture continues from week to week, descriptive time-cards, with divisions of time and names of the operations thereon, only require to be punched as these operations are completed, to show the time occupied on each. And in other instances, repeating here what has been said of the designing of forms for recording the use of materials, the writing required should be reduced to the minimum. Well-designed forms do much to assist in the making of shop records. Nothing which can be printed should be written, and the printed matter should never exceed what is actually needed. Simplicity of detail, if not another way of describing efficiency of operation, is at least very near to it. Under conditions which make it difficult for the workmen to furnish records of time worked, recourse must be had to the time clerks, whose duties may also include the writing up of the pay-rolls and the entering up of the labor costs of the various departments in the cost accounts.

Analysis of Pay-roll.—Where workmen are engaged from week to week on continuous operations, or production of a similar character, an analysis of the weekly pay-roll may be made to obtain the labor costs. The analysis must, however, be based on absolute knowledge furnished by daily time-slips or cards, a foreman's daily report, or by a time clerk.

It is also practicable, and desirable in many instances, that the arrangement of the cost accounts provide for the showing separately of different descriptions of labor, or

the labor of particular departments through which the work has passed in different stages of production.

3. Operating Expenses.—The operating expenses, however, are everywhere and continuous, and therefore are a perpetual cause for concern to the alert factory manager. It not infrequently happens that, with a growing feeling of being unable to locate where the increased cost of manufacturing occurs, those items which can be identified and valued are made the subject of closest scrutiny, with the result, possibly, that less valuable materials are used, and wages are reduced. But the system in use may not provide for the accurate ascertainment of the overhead expenses, so that manufacturing goes on with the same uncertainty of its character and amount. The conditions have not been improved, for if a cost system means anything it means ascertaining all of the elements of the cost, so that unnecessary features thereof may be eliminated, while maintaining or improving the quality of the product.

Indefinite knowledge of the operating expense exists in many industries. To determine its character and amount accurately is of prime importance.

Various Terms Used.—A variety of terms are used to denote this feature of manufacturing expense, such as "shop charges," "factory expense," "on cost," and "overhead expense." A sharp distinction should be made in every system of accounting for manufacturing and trading concerns between manufacturing, selling, and general or administrative expense. The first two classes of expense are chargeable to manufacturing and trading respectively, and the third class of expense is chargeable against the profit from operating and trading.

In some instances a proportion of the expense charged to administration may be considered a fair charge to manufacturing. Such a contingency arises when an executive officer, and remunerated as such, actually devotes a large proportion of his time to the manufacturing operations. The expenses in respect of rents, taxes, and

insurance can by a proper system of accounts be determined and apportioned monthly. It is necessary, perhaps, to state that expenditure in this connection is intended to mean expenses incurred without regard to the fact of whether the actual disbursements have been made for such items, or not.

Bases of Distribution.—It is important to know the expense of manufacturing, but it is equally important to distribute it with the least incident of error. This requires some basis of distribution. Several methods may be considered:

1. A percentage on the value of material and labor.
2. A percentage on the value of the material used.
3. A percentage on the value of productive labor.
4. A rate imposed per hour of productive labor.

The allocation of manufacturing expense to machines, and its distribution by means of a machine rate, will be referred to later.

Difficulties in Above Methods.—A distribution of manufacturing expense having as its basis the value of the materials and labor is not an equitable one, by reason of more expensive material being used on one contract, or shop-work order, than that used on what may be similar production, notwithstanding that the material has been subjected in each case to the same operations, occupying the same time, and using, perhaps in each instance, machinery with a like expense burden of operating.

The principle chiefly involved is that the manufacturing expense is an occurrence of time, and as such should be distributed over units of time.

The third method is largely used, and because it does in some instances effect the same distribution as that obtained by the fourth method, they may incorrectly be considered to be similar in their results. This method also appeals in application on the ground of convenience.

The proportion of manufacturing expense to be charged to a particular shop-work order under the third method is obtained by using a percentage of the value of

the productive labor charged to that work order. This percentage is the rate per cent obtained by dividing the total amount of the manufacturing expense by the total amount paid for productive labor. In using this plan, the workman earning the higher wages must necessarily bear a larger amount of expense than the one earning lower wages, whereas by a more equitable distribution the reverse would be more in accordance with the facts.

The convenience of using a percentage basis at times can not be questioned, but convenience or simplicity should not prevent the use of more accurate methods, when greater accuracy is essential.

The using of the fourth method of distribution does not necessarily mean greater detail in cost keeping. The general practise is to remunerate labor at a rate per hour of time worked. The total number of hours of productive time is obtained from the time-sheets, or a similar source, and summarized. The entry in the cost accounts states the number of hours, or fractions thereof, charged to each shop order, and the charging of the item of expense is but a matter of detail when the rate has been determined, which will be the cost in expense per hour of productive time.

It should not be lost sight of that each department must bear its proper proportion of expense. Some pains may be necessary in making the first distribution, but if this is carefully done a basis is provided, which reasonable observation of the department operations will either confirm or show wherein it is in error. Prompt adjustment of the apportionment required by changing conditions should be made when such changes occur.

The Machine Rate.—Machinery is a greater factor in the production in certain industries than in others. Frequently it is of a special type, and either automatic or of such a design as to reduce very largely the labor of operating. The necessity of knowing the expense of operation and maintenance of these machines introduces the machine rate. This rate consists in treating each machine as a productive department, and charging it with

power, oil, repairs, rent, taxes, insurance, depreciation, interest, and other items of manufacturing expense, and charging shop-work orders for work done by machines at a rate per hour of machine time representing the cost of machine operating.

The more obvious of the costs connected with machinery are of four classes, as follows:

1. Those based on occupancy of space, which we will call space cost;
2. Those based on the cost of the machine itself, called machine cost;
3. Those based on special expense connected with the machine when in operation (but not including power), called machine use cost;
4. Power cost.

The criterion for distributing burden over production on the basis of use of machinery is clearly time; the element of the same machine (when in proper repair) will always be capable of producing the same relative results. Even if the nature of a job requires lower speed, and loss is suffered, it is right that the loss should be charged to the order requiring such reduced speed rather than to the machine itself; for, so to speak, the loss is the fault of the job and not of the machine.

1. Space Cost.—Analysis of these four classes of cost will show how they can attach themselves to the machines. The first, or space cost, will be a certain proportion, determined by the machine's occupancy of space, of the space cost of the entire establishment. This space, however, is not determined by the mere floor dimensions of the machine, but it is the space necessary for its successful operation, with room for operatives, for light, for feeding materials and delivering product, for passageways to and from it, etc. As a result of this subdivision, then, we find on account of space a burden of general cost which this machine must bear. The elements of the cost are usually five or more:

1. Interest on investment in land and all buildings thereon.

2. Repairs to buildings which are really a part of the costs of running the machines which they are built to house.
3. Depreciation of buildings which repairs can not prevent.
4. Taxes on land and buildings.
5. Insurances on buildings.

Allied to these, though figured on a somewhat different basis, are heat and light.

2. Machine Cost.—The second group of expenses is divided into the five normal elements: (1) Interest, on the value of the machine itself; (2) Cost of repairs due to the passage of time rather than to use; (3) Depreciation that repairs can not prevent; (4) Taxes (this machine's proportion of the taxes upon machinery); (5) Insurance (this machine's proportion of the total insurance on machinery).

3. Machine-use Cost.—The third group of expenses is divided into:

1. The direct expenses of operation, such as for oil and cleaning, but not power;
2. Repairs due to wear and tear;
3. Depreciation due to use;
4. The five normal elements—interest, repairs, depreciation, insurance, and taxes—on any special tools which may be required in connection with this machine.

4. Power Cost.—The last group is power cost. The determination of the proportion which should be attached to each machine must be based upon many figures, but in principle it is very simple. The power establishment is itself subject to three of the four groups of charges that we have already connected with the other machines, that is, space cost, machine cost, machine-use cost; for the power plant is responsible for its share of the ground rent of the whole establishment, for the five normal elements upon its own building, for its light, for the five

normal elements upon its own machinery, and for its special-use costs.

Machine Total Cost.—This completes, roughly, the list of things of which the cost can be applied directly to particular machines. These four groups of cost—space cost, machine cost, machine-use cost, and power cost—are the total costs of running the machinery. This total for each machine divided by the number of working hours in a year gives what is commonly called the “machine hour rate.” Some allowance is always made, of course, for necessary idleness of all machines, such as for repairs, oiling, cleaning, etc. Every machine in the shop has its symbol or number, and has attached a tag giving its hour-rate. Since all work is done by the authority of a job order, it is a simple thing for the operator when reporting his own time to report also the time of the machine which he has used. This gives a figure of machine cost to be charged to each job order; and it covers all the burden which we have been able to attach to the use of machinery.

Idle Time.—The determination of cost in connection with machinery has so far been on the assumption that all machinery is driven full time. Theoretically no machine should ever lie idle, except for repairs, oiling, cleaning, etc. Practically, however, this is impossible. It may chance, for instance, that on some work one planer can keep up with three drills, and that on other work one drill can keep up with three planers. It is obvious, then, that idle time is so far a matter of importance that it may throw entirely out of usefulness the calculation of the machine rate at full operating time, and therefore must be introduced in many cases as a new element.

The rate charged for work done by machines should be based on the normal operating time, with a second supplementary rate representing the cost of the idle or non-operating time of machines, and items of expense which can not be charged direct to any one machine. If, for instance, the expense of operating a particular machine is \$180 for a month of 225 hours of full operating

time, this would be a rate of 80 cents per hour for the work done. But if the machine was only run 200 hours, the rate charged to the shop-work order would be still 80 cents, with a second rate to provide for the distribution of the \$20 representing the expense cost of the non-operating time of the machine, not allocated to the work in progress, by the normal rate per hour.

A further reason for making two charges in the cost accounts for the machine operating—first, a normal rate based on the full operating time of machines, and a second rate to charge out the expense not taken up by reason of non-operating time of machines—is in knowing what excess of machine operating cost charged to work orders is caused by the various machines not being operated full time.

The second rate is a sort of machine operating cost barometer, and should be carefully watched. The nature of the work done on certain machines admits of reports of machine time being returned daily showing the time operated and idle. It may be, if the machines require to be set up with each change of work and the changes are frequent, that too much time is being consumed in doing this. But if the idle time is known immediately, with prompt attention it may be reduced and the output increased.

3. COST RECORDS

The most convenient system of indicating what work shall be got out by a shop, a factory, or mill has been found to be a system of orders, but as this term is used in connection with purchases, manufacturing, and sales, a more definite term is required, such as "factory order," "production order," or "shop-work order." The latter admits of little chance of being misunderstood or confused with other classes of orders, and the term "work order," or an order to do work, is successfully used.

Order Systems.—These work orders must, in turn, be capable of being separately identified; and it will be readily understood that to give each the actual name of

the work in progress would not be practicable, therefore a system of numbers is used, and by the number given to a work order the work is known in all its stages.

It is desirable to allot a series of numbers for standing orders. The distinction between a factory "standing order" and a "factory-work order" is that the former is an order, which stands until changed, to perform certain work in the nature of expense, and to which such material as may be used is charged, also the labor pertaining thereto, while the work order is issued to authorize work to be got out in the nature of product, and to identify it while in progress of manufacture.

The Cost Clerk.—One clerk, to be known as the Cost Clerk—with such assistance as may be necessary—should be immediately responsible for the operation of the cost system. In the equipment of his department there is ample opportunity for the use of cards, indexes, loose-leaf records, and other convenient and quick helps, in the assembling of cost data.

Importance of Exactness.—If system is desirable in the workshop in obtaining records, orderly methods should also obtain in the cost department, to permit of the information furnished by the factory records being assembled for entry in the cost accounts with reasonable promptness. This is necessary if the cost system is to be effective.

The entry in the cost accounts of charges from factory records should never be allowed to be in arrears. It is not unreasonable to expect that the entry of charges in the cost records shall be overtaken on the day succeeding that in which they occur. Cost accounts lose much of their value when the information they purport to give is delayed for weeks after the completion of the product. If the system of obtaining costs is found to affect the promptness with which records should reasonably be expected, then the cause of the delay must be located and an immediate remedy provided, whether it be in the factory or in the cost department. It may be that the clerical

assistance is inefficient, or, if it is efficient, the work is in excess of the means to overtake it. These conditions are also capable of adjustment.

If the cost of machine operating is kept, the cost ledger should contain accounts with the various machines. The form of ruling to be used in the cost ledger accounts will be as varied as the industries for which it is required. There should, however, be sufficient provision for analytical detail to show quickly what the cost is, and what it contains.

Installation of a Cost System.—In the installation of a cost system one of the first points requiring consideration is a simple and efficient purchase system. The elements of one sufficiently elastic to meet the needs of the smallest as well as the most complex, are briefly stated as follows:

The purchasing agent maintains a card index giving details as to sellers and their specialties.

A purchase order blank in quadruplicate is made out by the purchasing department. This provides space for the name and address of the orderee, specifications of the article ordered, instructions as to shipment, and other necessary details. Each order is numbered and the requirement insisted upon that the order number be put upon the invoice for purposes of identification and verification. One copy goes to the orderee, one each to the accounting and receiving departments, and the fourth copy is retained by the purchasing department.

Method of Working.—The goods having been received, the invoice accompanying same is compared with the order and checked as to quantity and quality; the invoice is then passed to the purchasing department for approval of prices, after which it is sent to the accounting department. The prices mentioned in the invoice are now entered on the copy of the original order which the accounting department has received, and the order is sent to the factory superintendent, who exchanges his copy for the one he now receives, first checking with his

requisition to verify the fact that all goods required have been ordered and shipped. The factory bookkeeping department next enters upon the stock record the quantity and prices of the goods. For the verification of receipt of goods, prices, extensions, all necessary approvals, and the ledger folio of the creditor and the designation of the account which is to receive the debit, a form should be rubber stamped on some convenient space on the invoice. A cover on which is summarized the charges and credits contained within is then fastened to the invoice, and through this medium posting can be made directly to the accounts affected. In practise, however, it has been found advantageous to post only the creditor's ledger from the invoice, carrying the debits to a purchase summary, from which monthly totals are posted to the general ledger accounts.

First Steps Necessary.—The raw material having been received, a stores ledger is necessary in order to keep a summary of the following:

1. Material received;
2. Material used in the factory;
3. The exact amount of material used on any particular piece of work;
4. Data to maintain a running or perpetual inventory.

One card or page is allotted to each article purchased, as follows:

[illegible]

From this it will be seen that when goods are received the stock clerk places at once on the debit side of the card the date of receipt, quantity purchased, and unit price.

Withdrawals.—When goods are to be withdrawn from stock for use it should be done only by requisition, prepared usually in triplicate, and properly signed by some one competent. This requisition contains at the top the number of the order against which the material is to be charged, the date, and the quantity desired.

REQUISITION

No.....

To Account No.....

Date.....

MATERIAL REQUISITION

For Production Order No.....Shop Order No.....

Required for Department.....the following material for making:—

(Use a separate requisition for each item.)

<i>Quantity</i>	<i>Kind of Material</i>	<i>Price</i>

By.....O. K.
Foreman

.....Sup't.

.....
Record Clerk.

One requisition should be used each time material is drawn, each order having a separate requisition. The worker requiring the goods should go to the clerk who issues the goods, secure on one requisition a proper receipt, file this, and on the other requisition make an extension from the stock card of the cost of the material issued. This requisition is then sent to the accounting department, where it is entered on a summary sheet of materials consumed, the amount being extended to the column designated to correspond with the order number against which the goods were drawn. This sheet is totaled every period, and the total charged in the cost ledger to the respective order. In the general ledger manufacturing is debited, and materials and supplies credited. Following is a sample of this summary sheet:

SUMMARY SHEET OF MATERIALS CONSUMED

<i>Date</i>	<i>Order No. 1</i>	<i>Order No. 2</i>	<i>Order No. 3</i>	<i>Order No. 4</i>
Totals...				
L. F....				

A trial balance of the Stores Ledger should be taken monthly or oftener; its balance of stock may be verified by checking with the physical inventory at regular periods or at such times as the various items of stock are at a minimum. It should also agree with the balance of "raw material" account on the general books.

Time Reports.—Each employee engaged in productive labor is required to report his time each day on a daily time report, showing the number of hours consumed on



Adding Machine

Several different machines following the above general type are now upon the market. They may be operated either by hand or by a motor. (See page 265.)

each order number. This report is checked by the foreman and passed to the accounting department. A sample follows:

DAILY TIME REPORT

Date.....

Name.....

Workman's Number.....

<i>Order Nos.</i>	<i>No. Hours</i>	<i>Unit Rate</i>	<i>Extension</i>

When these time reports get to the accounting department they contain merely the employee's number, the number of hours employed on respective order numbers, and the date. The time clerk will then extend the cost of the labor expended upon each, and all reports relating to the same number are collected and the number of hours and cost thereof entered on a labor distribution sheet, sample of which follows:

LABOR DISTRIBUTION SHEET

<i>Date</i>	<i>Order No. 1</i>		<i>Order No. 2</i>		<i>Order No. 3</i>	
	<i>Hours</i>	<i>Amount</i>	<i>Hours</i>	<i>Amount</i>	<i>Hours</i>	<i>Amount</i>
Totals....						
L. F.....						

At the end of each paying period this sheet is totaled, and it should, of course, equal the amount of the pay-roll, which is posted directly from the time reports. This makes one of the best possible checks on the pay-roll. In the general ledger, manufacturing is debited and accrued labor is credited. This will, of course, always keep a credit balance to accrued labor, except on the day on which the pay-roll is paid, and even then in cases where payment is not made to date. The cost of the productive labor expended on each order number is then posted to the debit of the respective order accounts in the cost ledger from the summary sheet.

Incidental Expense Reports.—In order to ascertain correctly the general expense, it must be always remembered that the labor expended upon the reports is always non-productive. The orders or units against which all general expenses are charged are, in every instance, standing orders. The material is ascertained usually in the same way as outlined above for material in general, but there is apt to be a deviation from the rule that the storekeeper receive and issue all materials. It is sometimes necessary that the supplies be first consumed and then a report made as to the order numbers against which they should be charged. This often occurs in the consumption of very small lots of inexpensive supplies, such as coal, etc. A summary sheet of materials consumed is used as follows:

SUMMARY OF MATERIALS CONSUMED

<i>Date</i>	<i>Order A</i>		<i>Order B</i>		<i>Order C</i>	
	<i>Amount</i>		<i>Amount</i>		<i>Amount</i>	
Totals.....						
L. F.....						

The time expended under manufacturing expenses is reported in the same manner as that expended by productive labor, except that no record is kept of the number of hours expended.

Having charged to each account in the manufacturing ledger the expenses pertaining to it, the next step is to distribute them over the various orders for the production of goods as shown in the cost ledger. This distribution is made by means of a distribution sheet of manufacturing expenses, outline of which follows:

DISTRIBUTION SHEET OF MANUFACTURING EXPENSES

<i>Account</i>	<i>Amount</i>	<i>Order No.</i>	<i>Hours</i>	<i>Rate</i>	<i>Extension</i>	<i>L. F.</i>
Totals . . .						

In the "account" column is placed the name of each account appearing in the manufacturing ledger, and in the "amount" column the total expended under that account. In the "order number" column are placed the numbers of all the orders worked on for the period, taken from the cost ledger, and in the next column is placed the number of hours of productive labor expended on each such order number. The total of this number of hours divided by the total amount expended as given in the "amount" column gives the unit rate or constant by which the total amount of the manufacturing expenses is thus properly distributed, and is ready for transfer to the proper accounts on the cost sheet. This distribution is made at the end of each period.

Closing of Completed Order Numbers.—When the articles to be manufactured by any order are completed, that order number is ended and the account in the cost ledger must be closed. To do this a summary sheet of order numbers completed is prepared for each given period. This is the medium through which is completed the transfer from goods in process of manufacture to “finished product.” A sample of this summary sheet follows:

SUMMARY SHEET OF ORDER NUMBERS COMPLETED

<i>Date</i>	<i>Order Nos.</i>	<i>Finished Product</i>	
		<i>Sales</i>	<i>Stock</i>
Totals.....			
L. F.....			

The Main and Auxiliary Ledgers.—In addition to the main or general ledger, there are four auxiliary ledgers maintained, each of which has a controlling account in the main ledger. These are:

Stores Ledger,
Cost Ledger,
Creditor's Ledger,
Manufacturing Ledger.

The account in the main ledger is “manufacturing,” which is the controlling account for the cost ledger. This account is debited with the total amount of material drawn from stores, accrued labor, and accrued manufacturing expenses.

The auxiliary ledgers are self-explanatory. The stores ledger is a record of stock received and issued. The total

purchased is carried to the main ledger through the summary sheet of goods received.

The summary sheet of orders completed is posted in detail to the credit of respective completed orders in the cost ledger, there being no debit, this being but a transfer of completed orders from the cost ledger to the summary sheet. The summary entry on this sheet is posted in the main ledger to the debit of "finished product" and to the credit of "manufacturing."

When this transfer of cost totals for the month to the general books account has been made, there remains but little to be done to complete a monthly statement of the results of operating and trading. The figures presented are not the results of estimates but of actual operations, and, if the accounts have been well and carefully kept, are not of less value because of being presented at the end of one month, instead of at the end of twelve months.

Necessity of Frequent Statements.—Monthly statements of operating and trading are of the greatest value. In these days of immense transactions, quick trading, close margins and frequent incident of risk, yearly statements showing the results of operating and trading are largely matters of past history. Something more than this is required for the wide-awake business man. In a fiscal year a concern may suffer serious loss, or let pass the opportunity to engage in profitable manufacturing and trading, because of the absence of immediate information which modern methods of accounting would afford. Once a complete system is installed, the issue of frequent statements is a matter of comparative ease, with the result that the company is at all times thoroughly in touch with every phase of its affairs.

XIII

ADVERTISING

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6. WRITING AND PLACING ADVERTISEMENTS

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XIII

ADVERTISING

I. DEFINITION AND CLASSIFICATION

ADVERTISING in its modern sense includes every class of public announcement: the extensive "want" columns of the daily newspapers, which are patronized by persons needing employment, wishing to hire employees, desiring capital or assistance in special enterprises, offering rewards for lost articles, calling attention to real property for sale or for lease, etc., known as "Classified Advertising"; the "general" columns occupied by dealers in merchandise, real estate, etc.; the "professional" columns devoted to the cards of professional men; the "amusement" columns giving notice of theatricals, operas, lectures, etc.; and in fact every variety of notice intended for the public and for which a space rate is charged.

Origin and Development.—The sign-board of a store, shop or factory is an advertisement, its commercial significance distinguishing it from the name-plate on the door of a private residence. An announcement on a bill-board giving the address of a merchant, or indicating where special products may be purchased, differs for the same reason from the mile-stone of the country highway.

The history of advertising, in fact, can be traced back as far as Roman days and even to ancient Egypt. Notices of runaway slaves written on papyrus have been found along the Nile. In Pompeii wall decorations have been found announcing the nature of the business conducted within the house. And going back still further, cuneiform

inscriptions upon clay tablets in Babylon and Nineveh have been found to set forth business announcements and wares.

Previous to the invention of printing, and before newspapers became general, criers were employed to publish news and to make special announcements in the streets of cities and villages. They were anciently much what the newspapers are at the present day. When illiteracy was general, signs using symbols instead of reading matter were displayed before shops. This is still the case in many Russian towns. Among such are the red and white striped barber's pole and the three balls of the pawnbroker. The "barker" standing in front of a shop and often forcing passers-by to enter, is another ancient institution—a sort of local crier.

The merchant who displayed a sample of his goods on the sidewalk before his shop was practising the first stage of the art of advertising. He was drawing attention to his wares.

Real advertising did not begin, however, until the art of printing became general, and then it grew. Caxton, the earliest of the English printers, put out a poster of one of his publications in 1480, and since then publishers have developed slowly, very slowly, the art of booming the best seller.

Advertising in America.—In America the first newspaper advertisement appeared in the "Boston News Letter" in 1704. Advertising soon began to grow at a rapid rate, following the introduction of steamboats, railroads, the postal system and telegraph. The earliest advertisements in American magazines appeared in the "Atlantic Monthly" for February, 1860, and in "Harper's Monthly" for May, 1864. In the United States the growth of advertising was early checked somewhat by the general low class of the advertisement. Newspaper pages were overrun by advertisements of quacks, charlatans and swindlers of all kinds, to such an extent that reputable firms were unwilling to avail themselves of public forms of announcements. By 1880 better and more reputable

interests had changed this, and public confidence began to return.

At first only novelties, specialties, and new inventions were regularly advertised, the staple articles being supposed to sell themselves. The guarantee of publishers to make good all losses incurred from swindling advertisements aided greatly in the restoration of public confidence. Later on, enactments of the federal government, inaugurating an energetic crusade against swindling advertisers and denying them the use of the mails, added further safeguards to the public.

Definition.—Advertising, in the modern general acceptation of the word, is publicity, a means of causing it to be known what service each of us can render, or what wants we can satisfy; and the convincing reasons why it is worth while to take advantage of that service. It is also the art of impressing on the public, the name, nature and uses of some commodity. It may even go so far as to create a want for that commodity, stimulate the buying impulse, inspire immediate action upon that impulse; and once the want is created to keep it alive.

Two of the most compact and comprehensive definitions ever offered by advertising experts are worth noting. Messrs. Calkins and Holden thus define it:

“Advertising is a force whereby a man, controlling a desirable output from a factory, secures for it the widest possible market by utilizing every form of publicity, and every method of making an impression upon the public; who watches the sales on the one hand and its publicity on the other; who, like a train despatcher in his watch-tower keeps a constant and thoughtful hand on the pulse of the market, knows exactly what his advertising is accomplishing and what it is failing to accomplish, knows where to strengthen it and where to weaken it; who, considering the entire country as a whole, adapts his advertising to every locality, pushes his products where such products may be sold, and leaves uncultivated the places where no possible markets may be made. He knows something of salesmanship, something of the law of

supply and demand, a great deal of human nature and the best methods of appealing to it; has a vivid, instinctive sense of the power of repeated impressions; knows something of the force of striking display, whether expressed in color on outposters and street-car cards, or in black or white, and in type in magazines and newspapers, and uses these as a means to his end."

Mr. John O. Powers says:

"Advertising is a means of extending the field of one's business operations beyond their otherwise prescribed limits. Trade, like natural forces, travels along the lines of least resistance. Some of the specific advantages of advertising to the business man are: the opportunity to enlarge his field of operations, the ability to maintain prices, the obtaining of an assured custom, and the simplification of business. Advertising is to the field of distribution what the railroad is to transportation. With the ox and wagon, the horse and the sailboat, goods could be carried a short distance only, but the railroad or the steamboat makes the fruit of California a familiar purchase in New York, or the American locomotive a valuable adjunct to trans-Siberian service. The public crier arouses the interest of but a few people, the salesman is limited to the space he can cover, but printed words in circulars, magazines and newspapers can be scattered broadcast over the country, telling the residents of a ranch in Arizona or a sheep farm in Australia of articles manufactured in London or New York. The large department stores attract the casual passer-by with their handsomely trimmed windows, but their extensive business is due to the use of all legitimate means of advertising.

"Another advantage of advertising is assured business. By creating a large demand, a manufacturer can have the satisfaction of feeling that there is no danger of his mills standing idle. More than that, when one factory becomes crowded with orders and is working day and night, he feels justified in extending his business and building a new factory, but he still keeps on advertising, knowing that, in this way, he can keep up a steady and constant

demand, and assure himself of sufficient business. The very features of advertising which make it of value to the business man also benefit the community. In the first place, advertising educates people in a knowledge of standards of quality and costs. They become more appreciative of a good thing, especially of goods that never deteriorate in quality and cost. They learn to vary their purchases, to try new articles, and to look for the best. They can, moreover, become independent of the monopoly of their local dealer, not only as to what they should buy, but also in prices paid for things. This is of special interest in the country districts, where dwellers by reading magazines, newspapers and catalogues can obtain city articles and a wide choice of goods."

Three General Divisions.—Advertising may be roughly classified as follows:

1. Retail.
2. Mail-order.
3. General.

Each division of advertising is most appropriately found in its own distinct line of medium, although even in this respect, the lines are by no means rigidly defined. Thus general advertising matter often occurs side by side with retail announcements and in the same paper with mail-order matter. The correct placing of an advertisement of any given article in any particular medium is always a consideration for the advertising expert, who operates on the basis of previous long experience.

1. Retail Advertising.—Retail advertising, in its modern aspect, can be traced back to the beginning of the department store as we now know it. The first specimens of it were, of course, somewhat tentative and timid, never being more than two columns. The advertiser who first used a full page display struck terror into the hearts of his rivals and roused the curiosity of customers. For a long period, publishers never broke their column rulings for an advertisement—all were limited to this width.

The dry goods merchant had hitherto carried one line

of goods, and any advertising that he did was confined to making a loud noise in a small space as to their superlative value and microscopic price. When gradually a retailer began to consolidate under one roof several departments selling goods of a similar nature, the public naturally hung back. It was obvious to them that one man could not dissipate his energies in so many directions, and that efficiency was going to suffer. There was nothing for the department store owner but to drive home the fact, into the heads of the public, that economy was going to come of the innovation.

Early Examples.—The retail advertisement in its present form, a page or at least several columns of paragraph announcements in a daily newspaper, was first developed on a systematic basis by John Wanamaker in Philadelphia, with the assistance of the well-known advertiser, M. M. Gillam, later of the "New York Herald," who says: "The half column used daily was a big advertisement in 1886. With my eighteen years of experience in gathering and writing the news of the world, it was natural that I should treat the advertising as a news proposition. In the store I sought centers of interest. The style of my predecessors had been sprightly and entertaining, but ran chiefly to talk, with few prices and little selling argument. It was excellent, yet seemed the wrong thing. Prices were made a feature of the advertisements, and the story was varied from day to day by putting emphasis on the different departments. The news of the store, that was the idea. Some days we had strikes in hosiery, and on others red-handed war in the dress goods. Advertising in a big store might be compared to gathering fruit in a great orchard.

"Everything depends on the selection of interesting subjects. Some men got out and gathered the ripe tempting things that appeal to the public, while others set before readers in their advertisements only the windfalls, green plums and rotten apples.

"My theory of the reader's treatment of advertising was a glance. So presently the advertisements were cut

up into paragraphs with little subheads to catch the eye and make easy reading. Every advertisement had little hooks to catch attention, and followed the line of least resistance.

"The average space was a column a day, but sometimes we took a page, and once two pages. But the next day we would use half a column. The advertising simply reported the normal gossip of the stores. The size of the notice indicated its importance. A three-column announcement in the Philadelphia morning papers was instantly recognized by the people of the city as an event at Wanamaker's. It was a good method. I think to-day the normal news of a large store can be simply told in a column of newspaper space. The news of the store is like the news of the world. You can't take Port Arthur every morning, or bury a queen or assassinate a president. If you do the thing palls. Worse than that, the advertising man must work in the treadmill of a page a day, with the result that the advertising becomes lifeless and perfunctory."

Relation to Newspapers.—Retail advertising is the main support of the daily newspapers, and all the large stores are under contract to fill so much space weekly or daily. The contracts are usually yearly, and hence a certain reduction of rates naturally accompanies them. It follows that the advertiser confronted with the area of newspaper to fill, and confronted with the price of his advertising, must make the best use of his medium. He must turn out copy which will not waste a word—which must, in fact, bring returns. The modern advertiser does not himself sit down and turn out material. He leaves that to his advertising manager, whose specialized experience and knowledge qualify him to take full charge of that end of the business. Under him will be several assistants, and artists whose duty it is to prepare the drawings to accompany the copy.

The advertising manager of a store business in a small city gets about two thousand dollars; in a large city about five or ten thousand dollars. In the great New York de-

partment stores a man may get up to fifteen thousand dollars—especially if, like Wanamaker's, Rogers Peet and some others, he has developed a style of his own. It is said that the manager of one of our large clothing firms who originated a most characteristic style, chatty and yet substantial, was taken into partnership because his salary became so large that the firm decided it would be cheaper to make him share in the fluctuations of the business. As for publications, on a small city daily a man might earn fifteen or eighteen dollars in such an office; on one of the leading dailies in a great city he might get ten to fifteen thousand dollars a year—it is even whispered that one gets twenty thousand. A magazine manager gets considerably less. Sometimes in both kinds of publication a man has a commission on the volume of business as well as his salary, and on a long time contract with a growing paper this arrangement has been known to work disadvantageously to both parties—the publication, forced to pay out an over-large sum to its manager, promptly discharged him at the expiration of the contract. The advertising manager of a magazine does much missionary business in developing producers into advertisers. A manufacturer before he can profitably advertise may need to enlarge his factory, improve his goods, better his distribution, or get on better terms with the jobber and retailer.

2. Mail-order Advertising.—Mail-order advertising differs from either general or retail advertising in representing a distinct method of business. It seeks buyers for merchandise who will order by letters, generally from remote places, and must, hence, perform the work of (a) general advertising in creating a demand for stock commodities; and of (b) retail advertising in announcing special opportunities to purchase articles in general demand. No department of publicity has attained such a height of development and success as this, and many of the great mercantile houses of this country can attribute their fortunes to mail-order advertising. And this is the more remarkable, since the carriage of parcels is not in

Government hands, and the cost of the article is accordingly increased. In spite of this opposing factor, the mail-order business has grown to astonishing dimensions. While the department stores in most large cities advertise regularly to fill orders received by mail, in some cases nearly doubling their business by this means, regular mail-order business differs in two important particulars.

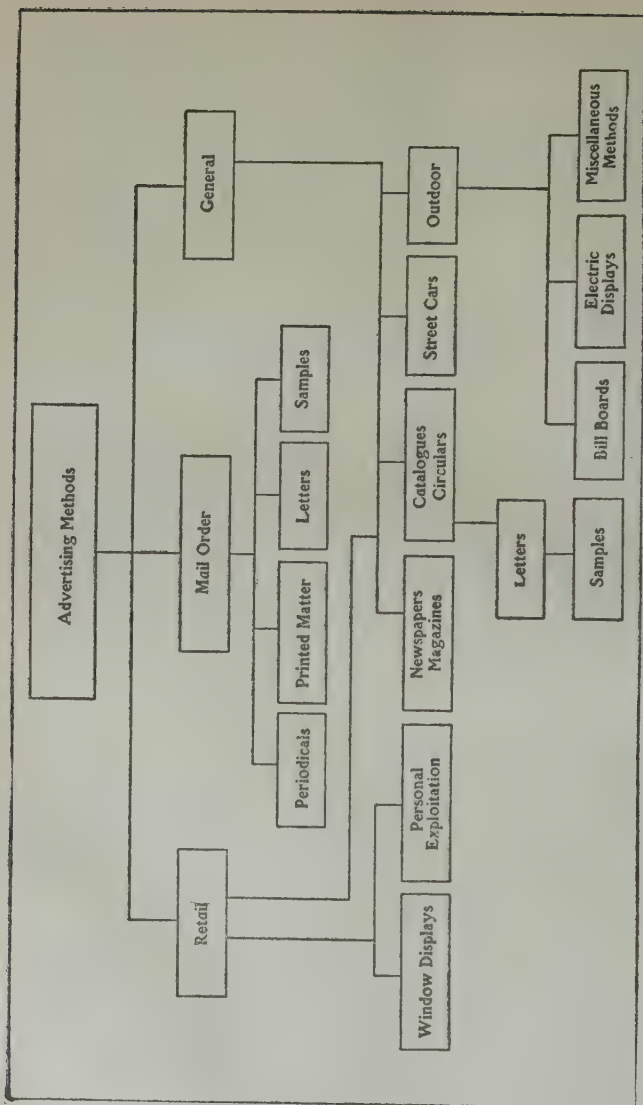
1. The goods are sold exclusively by mail-order; in no case being purchasable over the counter by retail or wholesale.

2. The goods are usually sold to mail-order purchasers residing in place distant from the city in which the selling establishment is located.

Mediums Employed.—As its name indicates, this species of advertising is largely limited to the use of the mails, for such material as catalogues, circulars, and "personal" letters. It may, however, be used in conjunction with newspaper or periodical advertising, on the one hand, and personal solicitation, on the other. The subject of Catalogues will be found treated under its own head in this chapter. The subject of Mail-Orders as a whole is related so closely to *Selling* that the reader is referred to that chapter for a further discussion.

3. **General Advertising** is that form which aims at employing various mediums and channels to spread information and create a demand for a salable product among consumers, the demand being met by the retail dealer, who sells over his counter the goods for which the general advertiser has created the demand. Besides the retailer, there is the wholesale dealer, and the advertiser's own agents.

The largest general advertisers in the country are the meat packing houses, soap makers, breakfast food manufacturers, and biscuit and baking powder companies. A number of products have been advertised continuously for over forty years, among them the Wheeler and Wilson sewing machines, Waltham watches, Gorham's silver plate, Coates thread, and Sapolio, the trade names of



METHODS OF ADVERTISING

which have gradually become so impressed on the mind of the public that they will ask for no other similar thing.

Four Mediums Employed.—The mediums employed in general advertising, which are in a lesser degree followed in retail advertising, are:

Newspapers and Magazines.

Catalogues, Circulars, etc.

Street Cars.

Outdoor mediums, such as posters, billboards, signs, etc.

Each of these mediums will be considered in turn under its own head.

2. NEWSPAPER AND MAGAZINE ADVERTISING

Through its advertising columns or pages, the newspaper, periodical or magazine represents one arm of the great mercantile machinery of civilization, of which the manufacturer or dealer using such space is the other. By the cooperation of the two lines of enterprise the influence and prosperity of both is very greatly enhanced. Without the publisher and the possibilities of advertising which he offers, the merchant could not possibly obtain so great a volume of business, except by greater outlay of time, money, and effort; conversely, also, it is solely the immense size of the advertising business that renders possible the existence of a good percentage of newspapers and magazines. Even with the largest possible circulation, a first-class periodical could not earn manufacturing costs without the income it derives from its advertising.

The Newspaper vs. the Magazine.—Upon the character of the newspaper or periodical—indicating (*a*) the public which it regularly reaches; (*b*) the object for which it is issued; and (*c*) the editorial policy maintained—depends the question of its availability for special and general advertising quite as much as the size of its circulation. This is obviously true, because certain lines of merchan-

dise sell better in one region than in another, on account of climate, social and other conditions; certain special lines of merchandise are more readily salable to one particular public, reached by a special or class publication, than to another, reached by some other special class publication, or to the unclassified public, reached by general mediums. The determination of these considerations in a given case depends entirely upon practical experience. It is an open question with many advertisers as to which is the better medium, the newspaper or the magazine. Each is usually essential to the sale of all commodities, for a different method of impressing is employed in each. One article can be advertised in only one medium, while another fits into all. A newspaper is read by busy people. It lasts a day. The advertisement is set up within twenty hours of its publication or less. Its influence is local, but the newspapers of a given town, or series of towns, or of a given State, may be used to advertise an article in a given territory, either because the article is appropriate to that locality, or because the advertiser wishes to limit his expenditure to that territory, in order to do special work there, for work may sometimes be better carried on State by State than all at once over the entire country.

The magazine is read by people of moderate leisure. It is supposed to last for thirty days. It has a widely distributed circulation, reaching the whole country. But an advertisement in its pages must be prepared three to eight weeks in advance of the date of publication.

Retail Advertisers' Use of the Daily Papers.—Daily newspapers derive the bulk of their advertisements from (a) retail advertising, as of department stores, etc.; and (b) classified advertisements, "want ads.," etc. In addition to these, much of the remaining space in daily newspaper columns is occupied with the announcements by national advertisers of articles of food and daily use, which, in general, may be purchased of local merchants, or ordered through local agents.

Daily newspapers also carry considerable special ad-

vertising, more commonly found in weeklies and magazines, especially when special departments are conducted. Thus the weekly book departments of several large dailies run numerous book advertisements; while the automobile departments generally found in Sunday issues come in for a good share of automobile manufacturers' announcements.

Several urban newspapers, particularly those circulating largely in rural districts, run considerable mail-order advertising, generally, however, in the form of classified advertisements.

General Advertisers' Use of Magazines.—Magazines and other periodicals of a general character, running fiction, fashions, news summaries, critical and general articles, print the greatest quantity of general advertisements, being exceeded in bulk of matter only by certain successful trade papers which advertise only articles having distinct relations to their several specialties. Among such general lines may be mentioned, soaps, perfumes, foodstuffs, dry goods specialties, automobiles, jewelry, watches, and silverware. The reasons for the great popularity of these mediums is that they habitually publish fiction and other reading matter of interest to the widest possible public, without political or sectarian bias, and their reading circulation is sometimes five or six times the actual circulation; and the advertiser should not lose sight of this fact in seeking publicity. Next to the general magazine, the home monthly magazine intended primarily for ladies, is the most important from the advertising standpoint. Of the fifty-eight published in the United States one claims a circulation of 2,000,000; four of over 1,000,000, and only fourteen of less than 100,000.

The Country Newspaper.—The country newspaper is considered by good authorities to be the most valuable of all advertising mediums. It is subscribed for and read by the people immediately tributary to the town in which it is printed. Its relations with its readers are intimate and its influence is strong. A country paper with a small

circulation is worth far more as an advertising medium than many times the same number of papers issued as a part of the circulation of a metropolitan publication. The metropolitan paper is read hurriedly by busy people, the departments that the individual is interested in are hastily scanned, and the remaining mass of pages is tossed aside and never looked at. The country newspaper is usually read thoroughly, and more than once, and its topics to its readers are of more vital interest than the fall of empires.

Cooperative Newspapers.—In small cities and villages where the expense of printing a four-page paper once a week is too great for profitable business, the “home prints,” or “patent insides,” are purchased ready printed by the publisher, who is then obliged to print one or two pages, as he may elect in his contract with the agency. This purchase of paper with one side printed enables the small weekly, at little expense, to give a synopsis of the world’s news, with, perhaps, some added fashion and literary matter. The business of supplying these ready-printed insides—also outsides—has developed into an extensive enterprise, in the hands of several large organizations in different parts of the country. This feature of publishing also supplies the advertiser with an additional opportunity for publicity at a smaller per capita cost than in regular mediums controlling their own advertising columns.

“The plan has made such progress that more than half the local village and country town papers have adopted it,” says Mr. George P. Rowell. “Advertisers contract, at a central office, for combinations numbering fifty to five hundred or several thousand. One electrotype answers for the job and one man takes pay for the whole. The price per paper charged for advertising is so small that no individual paper, no matter how insignificant, cares to attempt to compete with it. Many advertisers assert that advertising in them does not pay; and many others declare that the local paper is par excellence the best advertising medium in the world. Probably the country weekly can not nowadays compete, in value and

economy of service, with the greatest daily papers and the best magazines, but the man who uses the country papers at all makes a decided mistake if he does not use the co-operative lists first as far as they go."

The "ready print" system was first devised by Andrew J. Aikens of Milwaukee in 1865. Owing to the absence of many printers at the front, several local papers sought the assistance of the "Evening Wisconsin," of which he was manager, in bringing out their editions. For this purpose he used the forms of his newspaper, as they stood in the chases, with eminently satisfactory results. The idea then occurred to him of regularly syndicating such "inside papers," together with such advertising matter as he could secure at space rates for this purpose.

Religious Periodicals.—Previous to the advent of the popular weekly and monthly magazine, the religious press was considered the best advertising medium, save possibly the daily newspapers. So long as denominational lines were strongly maintained, the religious weekly was the most widely circulated and most regularly and most thoroughly read of all periodicals. Its statements were received with implicit confidence by its many readers, and any article advertised in its columns had the best possible recommendation to prospective purchasers. Lately, however, owing to the relaxation of denominational restrictions leading to the establishment of the undenominational journal, and to the spread of the general magazine, the religious weekly has become more and more a "class" publication, and one not taken advantage of by extensive advertisers.

Notable exceptions to the general rule are found in a few religious journals, which have combined domestic and literary departments with the distinctly religious matter, or have transformed the religious element into one department only among several, thus to a greater or smaller degree approaching the standard of the general or the family magazine. Among such are the "Outlook," the "Independent," and to a considerable degree the "Christian Herald."

Religious weeklies include among their principal advertising items: (*a*) household articles, furniture, stoves, organs, carpets, etc.; (*b*) dress goods or stock varieties, ready-made clothing, toilet articles, soaps, etc., generally sold on mail orders; (*c*) garden tools, seeds, poultry, etc.; (*d*) carriages, light wagons, and bicycles; (*e*) books—religious, musical and general. Some weeklies reaching the more prosperous classes contain also financial and insurance advertisements, and a few of those of the national advertisers. These, however, appear exceptionally.

The advertising worth of a religious weekly is thus summarized by Mr. Percy B. Bromfield: "Americans are the greatest newspaper and magazine readers in the world. Every year increases the literary output and augments the multitudinous army of readers in city and country. While all classes of publications share in this unexampled popularity, there are some which, for obvious reasons, secure a more permanent appreciative clientele than others. First and foremost in this latter class is the religious weekly. In the number, high literary character, broad evangelical views, and pictorial and mechanical excellence of its publications of this class, the United States leads the rest of the globe. These journals are conducted with ability, enterprise and breadth of purpose that carry them far beyond the boundaries of denominationalism and win for them a cordial welcome everywhere in homes of respectability and intelligence. They occupy a field that is exclusively their own, and there are countless thousands to whom they stand in relation so close, so cordial, and so trusted, that no other publication could ever supersede them.

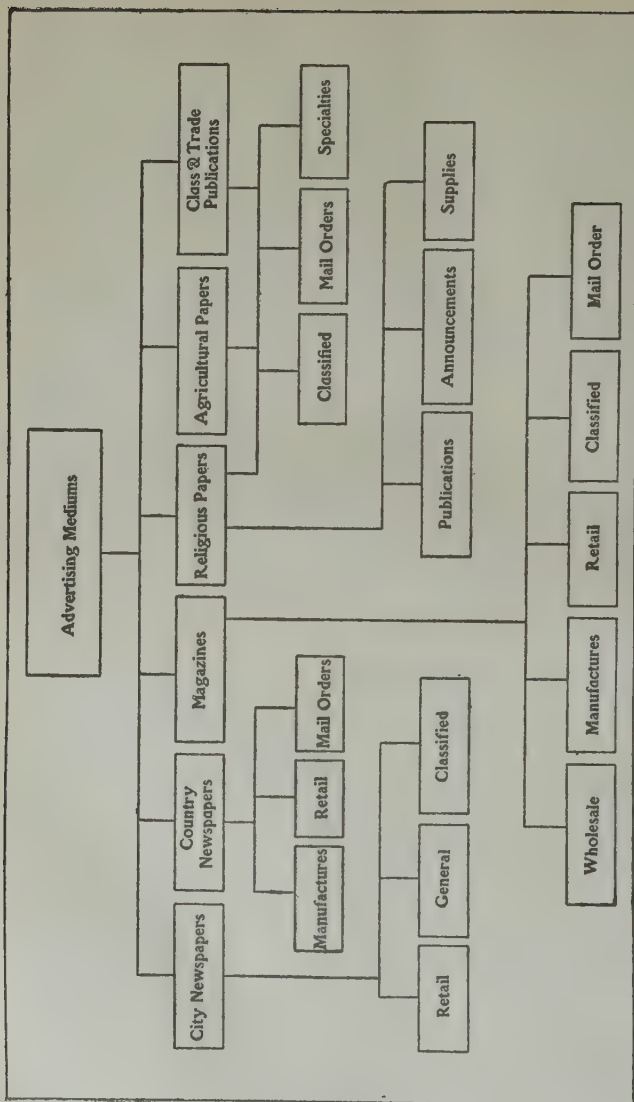
"But while this is true of the religious journal throughout the country generally, it is even more emphatically true with regard to its status in the rural districts. When we speak of the rural classes we refer to the vast majority of the middle-class homes throughout the country, where the people have time and money at their disposal and where religion is a factor in their life, the local church influencing society in all its phases, so that the religious paper is much sought and greatly ap-

preciated. The publisher of one of our leading religious papers has often secured large contracts for advertising by offering to send the advertiser the names of his subscribers in any district in the United States, with which the advertiser was familiar, and has frequently demonstrated, in the case of this publication alone, that there is hardly a town or village in the Union into which it does not find its way by annual subscription.

"Thus, in respect to its moral influence, the permanency of its familiar relationship with its multitude of readers of both sexes, and the implicit confidence it enjoys in that capacity, the religious journal possesses a power in the home circles of this land to which no other class of publication can ever reach. Its value to the advertiser, from a purely commercial point of view, is unequaled. Reliable statistics show that in this it leads all other mediums, and advertisers concede that it yields larger returns, in proportion to the outlay, than any other kind of publication. Given a popular religious weekly and an advertiser who knows how to present his wares attractively at the right time and with due prominence, and you have a combination that is irresistible."

Agricultural Periodicals.—The weekly and monthly agricultural journal has long been an important factor in the farm and home life of rural communities. As such, it has always had a definite advertising value, not only for agricultural tools, supplies and machinery, but also for household, personal and other articles, particularly those offered for sale by mail order. As a medium for the general advertiser along these lines, these periodicals are ranked as near the best, since, when well edited, they are constantly read and preserved by farmers, and their advertising matter enjoys excellent opportunities to attract the attention of willing buyers.

"The advertiser who has the farmer back of him has fortified himself against probability of failure," says Mr. Nathaniel C. Fowler, Jr. "The farmer may confine his reading, and so may his family, to the religious paper, to the local newspapers, and to the agricultural press,



and some farmers who call themselves planters may read the magazines; but the great majority of them, whether they are rich or poor, do not regularly read the high-priced magazines, although their families are subscribers to children's and ladies' papers. Proportionately, there are few scientific planters, but there are thousands of intelligent farmers who handle farming as the business man manipulates business, and who use their brain as well as their brawn in crop making. These high-grade farmers are men of success and money, and they read all the agricultural papers, and to them particularly every advertisement is important.

"The narrow-minded advertiser considers agricultural papers fitted only to the announcement of agricultural implements, seeds and other articles of farm use. It pays to advertise these things in agricultural papers. Farmers are human beings and live as others do, and they raise few things not intended for the inside of man. They must buy of stores or through the mail practically everything they need, wear or use, except eatables. As nearly every farming community is removed from large commercial centers, the farmer depends more than any other class of men upon advertised necessities and comforts. Anything that can be advertised in any publication, except that of the highest grade, can be advertised in the agricultural paper.

"Because the broad value of the agricultural press has not been generally recognized, with the result that few general advertisements appear in it, the opportunity is given to the advertiser of foresight to reach a class of people that have been neglected and have money to spend."

Class and Trade Publications.—The class journal may be (*a*) a trade or professional paper, published solely for practical men in its several lines; or (*b*) a paper confined to one particular subject, sport, interest or class, exclusive of all outside influences.

In the latter classification are properly found publications treating the widest latitude of subjects and things,

such as athletic, educational, juvenile, labor, philanthropic, prohibition and temperance, scientific, general or popular, sociological, sporting, Sunday school, women's clubs and woman-suffrage. Such will naturally be judged available for general advertising matter, in any given case, on the basis of the class of people forming the bulk of the readers of the paper, and on the size of the paid circulation. Other class papers, such as the religious weeklies and monthlies, and society and fraternal magazines are similarly estimated by advertisers.

The trade paper and the professional magazine occupy a peculiar position as regards the general advertising business. Being intended solely for readers interested in the practical side of its specialty, its columns are available only for advertisements of materials related thereto, and of such general articles as are of use to the practical man in each particular line. Thus, a machinist's paper will generally contain, in addition to purely trade advertisements, matter regarding suitable working clothes or blouses, soaps specially prepared for removing oil and grime, and such salves and dressings as are suitable for wounds resulting from accidents in the course of work. General advertisements are practically never included. The trade paper seldom has a circulation very much exceeding 20,000, but, because it appeals to a special class, it can readily fill its columns with related matter at a good profit.

The average page rate in trade papers to advertisers is less than \$40, while that of a magazine is \$300. For this reason the trade magazine is not in favor with advertising agencies, the fifteen per cent commission being not enough to repay trouble. It is worth while to use them, however. Suppose a manufacturer were placing on the market an article to be sold by retailers. Would it not be the best of policies to advertise in the trade paper read by that particular class of retailers? The general public may read the general advertisements of this article and create a demand which the retailer, in ignorance of the goods, may not be able to meet. The trade paper is, in fact, the best coadjutor to general advertising. It is

necessary to procure the cooperation of the dealer if you want to reach the public.

Organizations publishing several trade papers offer advertising service to their advertisers; that is, they provide them with copy, designs, etc., which they know will be of service in their particular line, and advise them as to the use to make of such service in their other advertising. Thus producer, retailer, and jobber are harmoniously linked together, and distribution of the article advertised is rendered more assured.

3. CATALOGUES, CIRCULARS, ETC.

A well-known automobile salesman attributes most of his success to letting prospective customers personally run the car they are thinking of buying. They may know nothing about it before they reach the driver's seat, but the learning and the new-found sense of control over a hidden and mighty power causes intense and long remembered interest. This method of "pulling the right wire" is purely psychological. This salesman wisely and with foresight put himself in his customer's place and appealed to him through what he thought would be of the most surpassing interest. The catalogue must have precisely the same sort of psychological appeal. It is the printed salesman—silent but persuasive. Advertising literature must be written and printed in the endeavor to cause the most intense interest therein, and the way to cause it is to work along the apparent line of least resistance in the brain to which the appeal is made.

Two Important Points.—In preparing the catalogue, which relies principally on a statement of facts, or the booklet which introduces a note of originality, care should be taken to be artistic as well as practical. Remember that what you desire is printed matter which will, first, attract attention; second, adequately represent the product it advertises; and third, bring results. Attention is attracted by an appeal to peculiar interests attractively presented. One's wares are best represented

by careful workmanship and thought as to arrangement, type matter and display, so that the total will form a most convincing appeal to the receiver; and results are best obtained when the impression on the brain is most lasting.

No carelessly written, cheaply produced booklet will make the proper impression upon a customer. It will probably be flung into the waste paper basket without even being glanced at. A cheap booklet is a waste of advertising funds. Much depends on the outer dress of the booklet so that it may act its proper part as the silent salesman.

Typographical Make-up.—We have reached a distinctly new era in commercial printing. In place of the perfectly plain announcements, catalogue pages, and commercial forms of a generation ago, everything which now passes from the business firm to the customer is regarded as representative of the style of the establishment from which it comes. With the modern facilities for advertising, correspondence, mail orders, and delivery, printing is constantly becoming a more important factor in all lines of business, wholesale and retail.

It is in the commercial field that decorative printing has its greatest opportunity. Catalogues not only give information through text and illustrations, but are the only visible evidence of quality. The large electric equipment companies maintain efficient departments for the design and preparation of some of the best illustrated literature; and other manufacturers are not behind them. Progressive engraving and printing houses now maintain departments of design for the preparing, laying out, and designing of all classes of catalogues and illustrated literature. Without such definite control, the work of any printing-office is likely to be characterized by a mixture of glaring ornament and crude and unbalanced color.

In design the advertiser rarely recognizes that unity of style with variety of detail is the fundamental principle of decorative art. Owing to the predominance of light-faced roman types, most successful designs are confined

to light lines or outline treatments which are but slightly heavier than the text page. In forms composed in "Old Style Antique" or black letter types, many strong decorative effects are produced by broad but simple borders. Florets and borders can be used to furnish decoration and accentuation for running head-lines and for breaking pages which would otherwise be monotonous. The type matter itself, arranged in panel forms, frequently outlined by rules, may be made decorative by the division of space into balanced proportions.

Use of Color.—Color has also an important part in the present-day development of decorative printing, and much can be done with rubrications, title pages and decorations thus treated. In addition to the standard red and black, orange, vermilion, gray, and white inks are to be found in many forms to which they are applied with special significance and good judgment. Fine cover papers not only add interest in themselves but form admirable black backgrounds for decorative color schemes. There are some blacks, dark greens, olives, and various shades of grays and browns, which have strong decorative qualities. Many of the dark shades are used to excellent advantage as backgrounds for bronze, the use of which is also increasing in connection with the color displays. Other illustrative features in color may now be easily obtained, on account of the recent development of the "three-color" and "four-color" process in printing.

Attention should be paid to the important part which lettering has in decorative printing. Classic lettering is one of the most important and yet most undervalued elements in decorative design. Catalogue and booklet covers and headings nearly all require lettering as the main feature of decorative work, and it is often hard to get lettering which pleases the most fastidious eye. The cover should be kept plain, if possible, and anything but involved or ornate.

Outlets Open to the Manufacturer.—The manufacture of the goods is the easiest of the problems which con-

front the manufacturer. True, it takes a good man to control and maintain a huge plant, but it requires an almost superhuman activity to dispose of the manufactured goods promptly and profitably.

There are several ways of distribution open to the manufacturer:

1. Direct to the dealer, as in the case of certain biscuit and soap companies.
2. Through their own retail stores, as in the case of several shoe companies.
3. Through independent, as well as own retail stores, as in the case of a great cigar company.
4. To customers direct.
5. By mail orders.

The latter method is rapidly increasing in favor with the large department stores and mail-order houses, and necessitates the use, first of all, of a good catalogue.

Catalogues.—As may be understood, the retailer looks askance at this method, his profit, if any, being slight, but the manufacturer has been quick to realize the far-reaching importance of this invaluable assistance. In America, the use of the catalogue has been so successful that there are day by day more and more firms employing it. A few firms who first realized the advantages to be gained by it have extended the distribution of their goods to innumerable homes in villages and towns scattered over the United States, Canada, Mexico, Cuba, and Porto Rico, and operations are being extended still further South.

Says Mr. Herbert N. Casson: "There are in the United States fifty-five million people who live outside of our cities. All of them have money to spend. The farmers alone are making seven thousand million dollars a year. There are forty thousand wood-choppers, seventy-five thousand lumber men, and eighty-five thousand cattlemen and cowboys. It is from these that the mail-order men enroll their customers. Such is the fascination of a fourteen hundred page catalogue, spangled with thousands of illustrations, to people who live far from the

department stores and theaters, that this postal commerce has become almost a national habit."

European merchants early realized the lure of the catalogue. Paris, Berlin, and London are centers from which catalogues are poured out lavishly over both hemispheres. In China and Japan, the business man has been quick to imitate, and there is no corner of the globe so remote the store catalogue can not be found, offering for sale the widest variety of household necessities and even luxuries.

In this country, such stores as Simpson Crawford's, Macy's, and Stern Brothers, New York; Wanamaker's and Gimbel Brothers of New York and Philadelphia; Marshall Field & Co. of Chicago; and the leading stores in all big centers of distribution are expanding this idea to the limit of extension.

House Organs.—House organs are small monthly or quarterly papers or magazines, largely composed of announcements of goods in stock and particularly good bargains, together with some good reading matter, poems, numerous selections and illustrations. They have long been considered effective mediums of advertising, and are much used by large retail concerns, insurance companies, manufacturers, etc. The excellence of the literary matter insures perusal and preservation, thus securing lasting attention for the firm and its announcements.

Such "magazines" mailed regularly or occasionally to selected lists of names, or by request, are often considered the best kind of "follow-up matter." Some retail concerns have varied this scheme by occasionally issuing short stories in pamphlet form handsomely illustrated. Among the best may be cited, as an example, the monthly issue of a well-known silverware firm. The organ is printed on good paper, has a good cover and is well produced. Inside is a readable talk on some subject, remote, yet not too remote, from silverware, an insert showing silverware, and on the back page a word or two of strong dignified reason for buying their particular ware.

Circulars.—It is the custom of large houses to issue a wide variety of small circulars and booklets, in addition to their regular catalogues. These stand in nearly the same relation to the latter as an "extra" does to a daily paper. They serve to freshen up the line, keep the customer in touch with the latest features of the house, etc. The advantage of a small booklet or leaflet devoted to one topic is that the customer's attention is centered wholly upon that, instead of being diverted to a variety of other things.

4. STREET-CAR ADVERTISING

Street-car Advertising has grown up with the spread of street railways, and has gained particularly large proportions since the introduction of the electric trolley cars. One of the principal reasons for its success is that the average passenger on the street or subway car has nothing to occupy his attention but the study of his neighbors. Even that is speedily exhausted. The advertiser stepped in to take advantage of this enforced idleness, in which the mind of the passenger in its unoccupied state was open to receive impressions of all sorts. From the first rough advertisements, inserted haphazard, a new and elaborate system of cards has been evolved, necessitating as much care in its control as any other branch of publicity. Nowadays such cars carry, in the space just above the windows on the inner walls, a row of striking, pithy, and interesting advertisements which can not fail to be seen and read by every one.

Limitations.—It should not be forgotten that the street-car card can only serve as a reminder to the reader of some article that he has usually seen widely advertised in some other medium; and no advertiser can depend entirely on the amount of advertising to be had from card display. Also, it must be remembered that to a certain proportion of the public, a car card lacks that approval which appears to be given to any article by the appearance of an advertisement in the pages of a magazine, or high-class newspaper, the rest of whose matter

seems to them to be inspired wholly by a desire for truth. Some magazines, in fact, guarantee the truth of all advertising statements in their pages, with an offer to make good all loss, if any should result. Newspapers, also, have become more and more particular as to the material which appears in their advertising columns. Street railway advertising companies have been quick to realize the force of such a guarantee and are both censoring the advertisements which they accept and advising the public of this censorship.

It has been estimated, however, that for every reader reached by a magazine advertisement, even in a publication with an enormous circulation, twenty can be reached by a street-car. In New York the annual passenger traffic of subway, surface and elevated roads, is estimated at 1,750,000,000, while in Boston the number of persons traveling yearly in cars amounts to 300,000,000. None of these can entirely escape the card advertisement. Here again, however, the car advertising has more of a local nature, unless the advertiser places contracts with car corporations all over the country, a state of affairs requiring an immense amount of capital and system.

Articles to Advertise.—One fact remains clear, that interest can be roused in a product by this means, provided that product is one which appeals as an article of universal consumption or use to everyone. The groundwork of the advertising must, however, be laid in magazine or newspaper, or other heavier advertising. The article to be advertised must appeal to every one. Such articles as food or drink products, household requisites, clothing and toilet requirements, should certainly be given publicity through this medium. On the other hand, no one would dream of advertising in this way an electrical or engineering device not of general use.

A series of cards may be run in the nature of a follow-up, each containing some definite fact, or connected by some central idea, as to the nature of the article.

Contracts for placing such cards, each about 11 by 21 inches, are made with leasing companies. The charge

for the display will, of course, vary according to locality, the usual charge being from 40 to 50 cents a month for each card. The cards may be furnished either by the advertiser himself or by the leasing company.

5. OUTDOOR ADVERTISING

Outdoor advertising includes: (1) printed and painted advertisements on walls of buildings, fences, rocks, sign-boards, etc.; (2) electric display signs of all kinds; and (3) miscellaneous methods. The third class can not be defined as it is limited only by human ingenuity. It includes the use of advertising vehicles, floats, banners, devices, and persons. For instance, a patented bottle is advertised by a motor car shaped like the flask. A pickle company has various devices emblematic of this production. A meat extract company may use a bullock cart, and so on. Human advertisements may be used, either as sandwich men carrying boards advertising the goods, or dressed in some grotesque way so as to draw attention to the signs they carry. A sauce manufacturer sends out a string of men each inside of a papier-maché sauce bottle, which exactly represents the real bottle. Theatrical managers employ this method. To advertise a play called "When Knights Were Bold," a number of armor-clad men were sent out promenading. Every circus parade is making use of this method of attracting attention.

Ground of Its Appeal.—It may be said that to a great section of the community outdoor advertising is the only kind that makes an appeal. To the man of little education, or little leisure, the swift message conveyed by a poster or a device of flashing lamps, is the only one. It reaches the class which never sees the magazine or the newspaper, and that which is too engrossed in their own business to see anything in another's. For this reason there should be something shown or said on the sign, brief and to the point. A pretty picture may tell a story, but it won't make the casual observer believe it. The poster

is not merely a reminder, it should be as much as possible an independent argument for the goods, and one or two lines of cogent reason is worth the most decorative design in the world; if they can go together, so much the better. The poster should endeavor as much as possible to be timely. The fact that it cunningly works in a phrase, an episode, or character of the day, makes it interesting.

One firm advertising table waters took advantage of the Chanteclair craze to make its poster read "When Chanteclair proclaims the rising morn use"—with a picture of the crowing cock. On the return of Ex-President Roosevelt from Africa, a firm making washing powder issued posters pictorially illustrating something like this—"Roosevelt scours Africa, but we scour America." There is no argument here why you should buy the goods—but simply a taking advantage of the thing of the moment. It might be doubted if this is really good advertising, though the concern using it seems to find it profitable.

Painted Signs.—The painted sign on a fence or the side of a building has long been familiar in most civilized countries, but only within recent years has it been systematically handled on a business basis.

Formerly, the work was undertaken for the advertiser by painting contractors, who charged him a net rate of three cents per square foot for fences, and five cents for barns, guaranteeing the display for one year from date of painting. In most cases the sign remained undisturbed for two years, sometimes even longer, contractors usually refraining from painting over one another's signs, for fear of inviting reprisals in kind. Farmers generally were willing to allow signs to be painted on their barns and outhouses for the sake of a free coat of paint, and also on their fences, which were utilized along highways or along the line of railroads.

The average barn side presented an area of 1,000 square feet, and cost \$50 to paint. Forty or fifty such painted barns along 100 miles of railroad afforded exceptionally good publicity, with cost continually decreasing as they

remained from year to year. Similarly, 1,000 square feet of painted fence would represent an expenditure of \$30, and when only the name of the article was displayed, an outlay of a very few hundred dollars would keep it constantly before the eyes of the traveling public.

With the development of advertising, however, fence and barn spaces were regularly rented from the owners, and the painted displays limited strictly to the period of the contract, generally one year. Substantially built sign-boards also appeared along the lines of the railroads and highways, and to a certain extent on vacant spaces in cities and villages. Such sign-boards were built in sizes varying from 200 square feet (20 feet long by 10 feet high) to 12,000 square feet, (300 feet long by 40 feet high); the space being rented at the rate of \$5 per 50 square feet per month, for lettered signs, or at slightly higher figures for elaborate pictorial designs.

These rates remained substantially the same up to 1910 with such slight advances as were demanded by increased cost of painting, etc. On an average, a pictorial sign now costs \$6 per 50 square feet per month. Accordingly, on a railroad, 100 miles long, on which trains are run at 40 miles per hour, a 50-foot sign to be visible every two minutes would require 75 signs, at an average spacing of 7040 feet, and would cost \$450 per month, or \$15 per day. These terms, considering the amount of actual publicity represented, are not excessive, when compared with the average cost of advertising space in the larger magazines and weeklies.

The painting of these signs is largely in the hands of a few large companies who employ a staff of expert sign painters, whom they send all over the country; but in addition there are local contractors scattered here and there.

In cities every available building having a blank wall or towering over its neighbors is now being utilized for a painted sign. Many of them are done in profile, that is, with figures cut so as to stand in outline against the sky.

Illuminated Signs.—In order to have a continuous display by night as well as by day it is usual now in populous

thoroughfares to illuminate the board with a border of incandescent electric lamps. Other forms consist of a design outlined in electric lamps, which come and go by the agency of a "flasher" which cuts off the current at regular intervals. The design may be so contrived as to present something in action; a stream of liquor from a bottle to a glass; a woman whose dress seems to wave in the wind; trade marks in action; or any similar device directly connected with the article to be advertised. Or again, a combination sign may be used, with flashing device, in motion or not, which presents the advertisements of several firms.

Often lettering alone is used. A framework carries a number of electric incandescent lamps so arranged that the words outlined change at regular intervals, to spell various sentences.

Average Cost.—In point of cost, painted signs or bulletins, except in the case of those of intricate design, or such as require an abnormal space or rent, or a heavy expense for electric current, compare favorably with other forms of publicity.

According to an estimate furnished by the O. J. Gude Co., sixty-five painted bulletins, several of them regularly illuminated, could be so disposed in New York City as to reach a daily public of 2,325,000 people for the sum of \$1,500 per month, or \$50 per day, as follows:

<i>Location</i>	<i>Number</i>	<i>Circulation</i>	<i>Cost</i>
Broadway (14th to 42d Streets)	3 illuminated . .	700,000	\$450
Columbus Circle (59th Street)	1 illuminated . .	200,000	100
125th Street	1 illuminated . .	250,000	100
In prominent location downtown	1 painted	300,000	50
At Brooklyn Bridge	2 painted	500,000	40
On "L" railways	10 painted	200,000	180
On prominent driveways	2 painted	75,000	230
In residential sections	45 painted	100,000	340
Totals.....	65	2,325,000	\$1,490

Printed Bills or Posters.—Bills are either produced from wood blocks, aluminum or zinc, or in the simplest forms lithographed from stone. When the subject is pictorial, and accurate artistic reproduction necessitates the use of three or more colors, lithography is the medium of reproduction which must be used. Theatrical posters, for instance, constantly use three to ten colors, and the advertiser who aims at presenting a picture of his goods, exact in size, color, and shade, must do so as well.

Lithographic posters vary in size from quarter sheets to twenty-eight sheets, the price varying correspondingly. The price, however, is based on the number of colors used, and the quantity ordered, the heaviest expense to the manufacturer being that of the drawing or photographing on the stone.

Bill posting, in the United States, is controlled by an association of about 3,000 members, incorporated under the title of the National Bill Posters and Distributors of the United States and Canada, their headquarters being at Chicago. Outside of the association there are not more than a half dozen independent concerns. There are over 2,000 towns and cities in the United States represented in the National Bill Posters' Association. All of these have local posting plants, on which a simultaneous display of a commercial commodity can be posted, approximately, on any given day that the advertiser desires to make his announcement to all of the people of the country.

This gives it an advantage over every other form of publicity except the daily newspaper, and it is so much cheaper than the latter that the advantage still lies with the poster for strictly seasonable products.

Until recently all bill-boards have been ten feet high, though they might be as much as a hundred feet long. The boards are usually built to accommodate four running sheets—the sheets being the standard unit of space, 28 by 42 inches; a four-sheet poster being 9½ feet in height and 42 inches wide.

Contracts are usually for a four weeks' display, and the cost is on the basis of so much per sheet per week, a varying schedule which makes a 24-sheet poster (ten

feet high by twenty feet long) cost from \$1.68 per month to as high as \$3.84 per month in all cities of the country, excepting New York, where the posters are displayed on illuminated bulletins along Broadway at rates of \$100 per month per poster. As to the number to use, the commercial advertiser usually figures, in a poster display, on using a quantity of posters equivalent to one eight-sheet poster for each one thousand inhabitants.

Nature, Art, and the Advertiser.—It is not so long since the bill-boards were a canvas for all the nightmares of the palette; and not only that, but bill-boards stood in places where it was obvious to the veriest philistine that they were never intended to stand. Every rock on the hillside proclaimed the virtues of somebody's pills; every barn or old gabled house with claims to the picturesque glared upon the landscape with advice to the invalid and the sick man. It seemed, also, as if the advertising man had picked all the fairest of nature's beauties on which to ply his art. He was like a mischievous boy let loose with a pot of tar.

But presently this type of advertiser was surprised to find that he was annoying people, and that societies for his extinction were being formed. He was flattered by the attention, and it might have prompted him to further activity had he not begun to find that his wares were in danger of being boycotted. Municipal and State legislatures were beginning to take an interest in landscape and the city beautiful. It was time to inquire into the matter, and the advertiser did.

Another great improvement made in recent years is in the tone and quality of outdoor advertising, especially that of bill-boards. Crude, vulgar, or glaring displays are frowned upon and often suppressed. Poorly printed or lithographed sheets have been discarded, also, as the passer-by has become educated up to the other kind. The day has gone by when the cheap or blatant poster brings in business.

There is still a ruthless war being waged against the

advertiser and the outdoor advertising agencies, but it is doing good. Artists, in the true sense of the word, are finding that they can speak to the public through the medium of a painted sign or poster, and that art for art's sake is not incompatible with the right kind of outdoor advertising.

City authorities are demanding greater conformity to the standard of artistic productions, and the days of the crude glaring poster are numbered. We have still many of them before our eyes, but as a whole the poster is improving.

6. WRITING AND PLACING ADVERTISEMENTS

It is possible to lay down only one or two general rules on preparing copy, for every article advertised must be handled in its own way and given its distinctive form of appeal. What is advertising copy? If looked at broadly, it covers every detail out of which the advertisement is built. But in reality it includes two divisions only—design and wording—usually found in conjunction, but which can be used separately.

Design, as used here, covers not only a drawing or photograph, but any distinctive arrangement or display of type, as apart from the ordinary reading matter. Nowadays it is an acknowledged rule of copy that the representation of an advertised article should be made always desirable.

The Advertising Manager.—The writing and placing of all copy, where there is a considerable amount of it, should be in the hands of one responsible head. Every large business and almost every publication has an advertising manager, sometimes with writers and artists in his employ. This position is as attractive and as lucrative as any in the business world. The qualifications of an advertising manager are somewhat like those of a politician, for besides being a successful salesman and thoroughly grounded in the science of selling, he must be a good judge of mediums, and the taste of the public.

Last but not least, he must know good copy when he sees it.

What is Good Advertising Copy.—Over this disturbed question there has been much discussion, but out of it all have come several generally accepted factors of composition. The first and last thing to remember is that one is writing to *sell*. When that has percolated into every pore, one can commence to write. Then follow three great essentials which must never be lost sight of for a moment:

1. Securing the attention.
2. Holding the interest.
3. Conviction.

Any advertiser who takes space merely to fill it with a humorous picture or amusing jingle is wasting money. Neither will create a demand for his wares. It may create attention, it probably will. In the case of an article which has been in use for years, whose merits are known to all, there is no harm in this use of humor. The merely pictorial advertisement of a well-known soap did itself no harm by the picture of the unshaven tramp who "ten years ago used their soap, and since then had used no other." On the contrary, it probably brought back people who had forsaken this for some other brand of soap. A great pickle manufacturer set out to advertise his products with pretty pictures, but suddenly veered round to "reason-why" copy. It is no longer a question of keeping one's name before the eyes of the people, it is the schooling of them in the art of economic buying that must be the aim of the modern advertiser. If the advertisement does not interest and convince the reader it has not performed its function. It is not a salesman: it is an amusement caterer. Still in conjunction with interest and conviction in wording there must be something to attract the eye. Let your caption be kindred to the matter following. Any caption which disappoints the reader is apt to make him throw away the advertisement in disgust. You can not afford to lose even one reader nowadays.

The Lure of the Catch-phrase.—An agency for specialty houses or specialized lines frequently pays a hundred dollars for a name or a catch-phrase. But some of the most widely advertised and successful names were invented in the companies' offices. Catch-phrases are innumerable. Competitions for them used to be very frequent, but with the steady decrease of word-juggling in the business they have practically gone out. Sometimes the advertiser offers a well-known writer or humorist a goodly sum for half-a-dozen pat words. "See that hump?" is one of the oldest catch-phrases, but it is rapidly becoming only a legend, since the firm which originated it has practically forsaken it for another line of advertising.

The "clever idea," like "Sunny Jim" and "Spotless Town," are not nearly as popular nowadays as they used to be, probably because they have been proved to be not particularly profitable. Advertising, indeed, has grown soberer with age, and rarely now is there a subway or street-car journey enlivened by mere cleverness. The "Campbell Kid" as the embodiment of sheer joy is of a vanishing race. "Cut out all foolishness," is the word in more than one agency. Even the "smile that won't come off" is no longer considered happy advertising; for psychology, or imagination, or something else which shapes the policy of the advertisement nowadays has insinuated that a permanent smile is suggestive of idiocy, and that it is more likely to estrange than to seduce the discriminating buyer, who is conscious that he rarely assumes one even in the face of the perfect cereal, or collar button, or stove polish, or safety razor. What has turned out to be probably the best catch-phrase ever invented has not the slightest trace of cleverness or humor. It was the product of an accidental circumstance seized upon by a quick brain. One day an employee in a Cincinnati soap factory beat a batch of soap too long and apparently spoiled the whole boiling. It turned white and floated. There was a man in the firm who thought that white soap which floated might prove very attractive in the region watered by the muddy Mississippi and its

branches. He rechristened the soap, overbeat every batch, and "it floats" has doubtless been responsible for tremendous sales.

If you have a picture, let it have some connection with what is going to follow. Hold your artist in leash, that is, unless you are doing something as a poster, which does not demand so much of the reading eye, but rather the distant eye. The caption then will come from the article itself, and it will be of such a nature that it will reach the particular people you seek to attract.

Holding the Interest.—Having drawn the attention of the reader to the advertisement and made him read your caption, how are you going to hold his interest? Do not fly too high for him, or he will not understand you. Do not underrate his intelligence or he will become contemptuous of it. But be simple and sincere. Be brief, but not as if you were writing a series of epigrams. The language must be such that it causes no effort in the reading, and that it may go right in without any assistance.

You may work it along "reason-why" lines, or along "imperative," but in either case your final sentence must be a "clincher," something that rouses the reader to activity. You have up to now been interesting him mentally, you want to inspire him to action—to instil in him the buying impulse. He need not rush off and buy; no, but he can be advanced a step toward buying by writing for further details or in some such way. The spark is kindled and can be nursed to flame by follow-ups always in the same strain of sincerity and information.

Two Kinds of Copy.—Copy may be divided into two kinds—the "*reason why*" and the "*imperative*." In order to write copy which will advocate the use of a certain commodity, in a logical and convincing manner, it is necessary to know all the outs and ins, properties and qualities of the article. Also, it is absolutely necessary to get in touch with the sales department, for that and the advertisement are brothers in arms. Then having

gleaned all that is worth knowing, it is time to evolve the copy on a basis of positive information. Every piece of advertising that is worth while is "reason-why" copy—it gives a reason for buying.

The "reason-why" copy was first introduced by John L. Powers into the Wanamaker business and made it famous. It gave arguments, facts and figures in familiar tone calculated to inspire confidence in the reader. It was a heart-to-heart talk, and it proved tremendously successful. In this kind of appeal, the copy writer should not, if he is wise, attempt any linguistic fireworks. It is not the clever, the epigrammatic, the "smart" advertisement which does the work. The reader may smile, but it creates no buying impulse in him, and he only remembers the phrase or picture as he remembers a good story. This form of advertising means so much waste. Therefore it is bad advertising which aims at selling goods with the least expenditure, but without building up permanent trade.

Another important point is, do not overcrowd your copy with reasons. If you have many, use only the best. Keep some for the next piece of copy, or throw them away altogether. Remember that one powerful argument rightly used will stand a lot of wear and tear, and do more good than a number of startling surprises. Just how many reasons should be used in a piece of copy depends on several things, such as the space allotted, the nature of the article advertised, and the class of purchaser to whom it is desired to appeal. Thus a reason which would appeal to the housewife may seem absurd to the business man, and *vice versa*. There is a nice discrimination in selecting the proper argument.

The imperative copy relies on boldness of design and directness of statement. It is the method of the auctioneer rather than of the salesman. It is short, snappy, and conveys the "do-it-now-or-never" impression. The name by which it is usually known is the "bull's-eye" method, from its going straight to the center. Some concerns aim at publicity, others at educating the public. Those who use the "bull's-eye" system believe that their product is

known, and all that is required is a reminder now and then. But it may be suggested, however large a clientele one has, it can always be added to by educative methods. The maker of motor cars, for example, does not sell one, like a cake of soap, weekly to the same person. He must always be looking for a new purchaser. The advertiser using the "bull's-eye" method examines the various points of the article, and in each piece of matter loads his weapon with one or two and drives his shot straight home. He wastes no words. He prunes his copy mercilessly, and what is left should be enough to create the desire to know more.

Truthfulness in Advertising.—One of the most successful retail stores in this country has the following to say in regard to the important element of truthfulness in advertising:

"It is our intention that every advertisement published under our name shall be absolutely true and correct in every particular. It is further our desire that the employees in the house, as far as possible, become familiar with the advertisements as rapidly as they appear, so that questions asked them by the customers may be answered intelligently, whether the goods referred to are in their sections or not. In order to draw many critical eyes to our advertisements and, furthermore, to give double interest in the reading of same by all employees in the house, we hereby offer one dollar to the employee who will first call our attention to an error (other than typographical) in any of our advertisements. Errors will be considered as such:

Where there is in any way an exaggeration.

When the price is wrong.

When a word is misspelled.

When the advertisement is grammatically incorrect,

or

When a false statement occurs."

The Psychology of Appeal.—The printed page can only appeal directly to one sense—the eye. But it should

by the method of its wording appeal to the other senses. Thus, the advertiser of a musical instrument should describe it so exactly that the reader should hear its *tone*. Food products must be so written of that the reader fairly *tastes* the dainty. So, too, with soaps, perfumes, etc., the reader must be brought to imagine he *smells the fragrance*. In advertising a garment, its comfort, touch, softness must be played up. Avoid irrelevancies. If you are pointing out the qualities of a piano, do so only as explaining its super-quality of tone, etc. If you are directing attention to the health properties of food products, take care not to make them medicinal and scare off the reader with the idea that the article is part of a sick-room diet.

How the Modern Retailer Advertises.—The time has gone by when it was believed that a staple article sold itself mechanically, and that the demand for it never fluctuated. Now competition has made it necessary to hold out the dangling bait of a better article at a lower price. After all, however, it is the most convincing, not the loudest, advertiser who wins. To be able to say what he wants, the advertiser must devote a proportion of his profits (1) to obtaining the services of an expert to direct the operations, and (2) to laying out the appropriation to the best advantage.

The advertising manager should be merely the organizer of the campaign, with assistants in the mechanical department of this work, so that he may be able to give his whole attention to the big things, not the petty details. The heads of departments should be at his service for the furnishing of information, and his office should be so situated that he may be in easy communication with them. Much depends on the cooperation of the department heads, for it stands to reason that no man, by himself, can turn out a page of detailed advertising daily.

Steps in Making up Copy.—The head of the department, or, in the largest stores, the buyer, selects some article for the leader, which he thinks can be cut down to

cost price or below. He then prepares his copy and prices, which are sufficiently low to attract a crowd, and in this connection it may be pointed out that the bargain is usually a lure to draw customers inside the store. Of course the customer can buy the wonderful chair or suit which is being almost given away, but it will be strange if he or she does not invest in other things at the same time.

Copy is then placed in the hands of the advertising manager, who selects what he intends to use the next day. If for a morning paper, copy should be prepared early in the preceding day, and suitable cuts obtained. These may be photographic, but are usually line, crayon or stipple drawings, the cuts from which can be made in a rush in four or five hours. It is best, however, if possible to give a full twenty-four hours to the engraver. He will appreciate it and give better results. Having his copy and drawings, the advertising manager then prepares a "dummy," showing the proposed arrangement of his full page or three columns, or whatever it may be, of display. The leading article is selected and placed in the position of honor, and the advertisement is built up exactly as it will appear. To keep the printer right, the class of type should be indicated all through, with explicit notes as to rules, ornaments and borders. Each article or line of articles should be provided with an eye-catching head-line and a few words of interesting talk. The more interesting and original it is, the more influence it will have on sales. Above all, prices should be prominently displayed. It is the lowness of price, not the quality of the article, which really exerts such magnetism.

Placing in the Medium.—The copy is then sent to the printer. Some large stores do their own printing, and the copy is set up and a proof run off. When this is corrected, a stereotype "matrix" or a papier-maché impression is prepared. This matrix is sent to the various newspapers or periodicals in which insertion is desired, and can thus be put in without delay in typesetting, proof-reading, etc., the advertisement appearing in perfect duplicate in every newspaper.

Where the newspaper or periodical is to set up the advertisement, the advertiser is furnished with a rough proof for correction and approval; and it is only upon receipt of this "O. K.'d" proof from the advertiser that the publisher is authorized to run the advertisement. If the same copy is to be run in several mediums simultaneously, it is a wise plan to have one of the publishers set it up in advance and pull several proofs. These can then be used as copy for the other papers, thus insuring good style and uniformity. Advertising agents, also, will undertake to set up and submit such printer's proofs for a customer.

7. AGENTS AND CAMPAIGNS

The general advertising agent performs a strangely double function. As the agent of all newspapers and magazines in the country, it is his duty to the publishers to secure advertising to fill their pages, the commission being from 10 to 15%; as the adviser of the advertiser, it is his duty to direct his energies in the proper direction, to allot the appropriation to the proper mediums, and to fix the amount of money to be spent on publication advertising. It will thus be seen what an opportunity is given him to limit an appropriation to mediums from which commission is sure to come.

Origin of the Advertising Agent.—The origin of the agent was simple. At first it was found convenient to place the details of corresponding with newspapers, arranging rates, writing advertisements and seeing to their proper insertion and general style in the hands of some one who could systematically attend to them. The newspapers sold space to the agent, who sublet it and pocketed the difference as commission. As business increased, an agent not only furnished lists of newspapers and rates to advertisers, but also helped them to prepare the wording and design of the advertisement, and from the humble position of a newspaper broker of space, the agent blossomed out into the advertising specialist.

This resulted in a singular condition of affairs. For a

time the advertising agent as the publisher's agent sold space at the highest rate, when as the advertiser's agent he should be endeavoring to buy it at the lowest. It was selling and buying at one and the same time. True, large businesses were built up by the advertising agent, and magazines were developed through his efforts, but the advertiser usually paid in the final analysis.

The Modern Agent.—Luckily a new breed of agent is being born. He sells advertising service to the advertiser, is paid only by the advertiser, deals with publications only as the agent of the man who pays him, and gives his employer all the advantage he gets in the way of lower rates. His income comes from the fees of the advertiser and from no one else. His relation to the advertiser is like that of a lawyer to a client, and it is also a confidential one.

If the advertiser wishes to make the agent a valuable factor in his business, he must not hesitate to entrust business secrets to him. The agent, if he is to give the proper service, must be told the volume of business, margin of profit, territory being operated, arguments used by salesmen, and all the other aids to good advertising. As an expert, the advertising agent must know all the details of advertising from one end to the other, including the mechanical, such as printing, engraving, type, color work, etc.

The modern advertising agent plans the campaign, and in most cases employs a staff of copy writers, and artists to carry out the designing of the advertisement. He generally determines the places, mediums and manner in which the details of the campaign shall be employed and oversees all copy before it is set up, making necessary suggestions.

Most of the magazines and papers do their own soliciting of advertising, and the intermediary is no longer required. Consequently many abuses are gradually dying out, and the agent who renders honest service is meeting with the appreciation and support of both publisher and advertiser.

The Advertising Campaign.—The maker of a new food product, for example, who wants to put it on the market, faces the problem of advertising in all its seriousness. The campaign must be arranged so that the selling force can follow it up and clinch the sales, and any plans made must rest upon a knowledge of conditions of trade, and the efficiency of the selling force. The advertising expert is not infallible, and the campaign which succeeded once may fail the second time. What is therefore wanted is knowledge of the class of people whom it is desired to reach, rather than a book knowledge of advertising. The success of a scheme is not to be measured by instantaneous returns. There must be a steady hammering away. No returns is not failure, and only after about a year can any definite idea of the value of the advertising campaign be obtained. It is continued effort which counts, not haphazard trial of one medium after another for only one time. Good advertising is cumulative in principle.

The first step in marketing a new food product is to name it. If the product is one which has no highly distinctive feature, but is merely a variation of an already existing product, a good trade-mark should be prepared. This when displayed in various forms in publications soon becomes known. If, on the other hand, there is reason for a "reason-why" talk, it is best to allow the reader to discover the nature of the advertisement, and not to scare him off by a waving of the trade-mark flag which he already recognizes. He is apt to pass it over for something new.

The package or series of packages for containing the product is highly important. If there is anything valuable from a hygienic point of view in the wrapping, it must be played upon. The ubiquitous "Uneeda Biscuit" owes much of its success to its dust-proof covering.

Problem of Mediums.—The price must be fixed, so as to allow for fluctuations in the price of the raw material. The problem of mediums then presents itself. Some of them have been explained but there are others kindred

to them. There are open to the advertiser the following varied channels:

- Newspapers.
- Magazines.
- Trade Papers.
- Street-cars.
- Bill-boards.
- Electric Signs.
- Theater Curtains.
- Distributed printed matter.
- Window Display.
- Window Cards.
- Show-cases with the name of the firm.
- Booklets.
- Circulars.
- Form Letters.
- Follow-up Letters.

In the actual selling this must be reenforced by replies to correspondence, information to jobbers and retailers and their salesmen, demonstrations in stores, enclosures in packages, and a distinctive form of package.

The advertiser must use, if not all, many of these mediums; and it is a matter for consideration as to which will be most worth his while. Only by a searching study of the conditions of the trade can anything approximately definite be arrived at.

In the case of a food product, the manufacturer might get the support of the storekeeper who reads the trade paper. When he is educated it is time to get at the public by general advertising. Once the public feels a craving for the article, the storekeeper is ready to supply it, and the various other mediums can be used to keep the want in active operation.

Cost Ultimately Paid by Consumer.—The amount to be spent may be large, but advertising appropriations are so calculated that the cost is finally borne by the consumer. The first year will be a matter of doubt, but after that the advertising will keep pace with sales; if sales increase the appropriation will be larger. If there is a decrease,

then the methods of organization in the sales and advertising department need change and improvement.

The Justification of Advertising.—"The justification of advertising expenditure is indeed a vexed and delicate question," says the "Bookman." "The theory of advertising and who pays for it are fruitful topics for discussion in both academic and commercial circles. A college professor is credited with the assertion that advertising is an economic loss, an absolute waste of one hundred millions annually (a figure much understated, as we shall see). But its adherents maintain that advertising is chiefly salesmanship on paper, and the more paper salesmanship the less personal salesmanship required to put the product into the hands of the consumer. Formerly, they say, a merchant depended on the haphazard of mouth-to-mouth praise or on the number of people that passed his door to sell his goods; or depended more certainly on the number of clerks he could hire to go out and talk about him. Now he sounds his own praises in paper and magazine, makes people come to his door, and can do away with drummers. Thus advertisers say their expenditure is justified, but they begin to disagree when they come to the question of who pays for it. Some say the advertiser, some say the non-advertiser in the same line. some say the poor old consumer, and some build themselves a refuge in the glittering proposition that it pays for itself. The fact that the panic year of 1907 was the biggest year advertising had ever seen throws no light upon the matter; but it is certain that printers, copy writers and artists, agents and solicitors are the last people to worry unduly about so theoretic a matter. 'We spend two dollars and ten cents for beans and one hundred dollars for printers' ink,' says a food manufacturer, laconically; and his results are probably enough justification for him."

In 1905 the percentage of advertising to "pure reading matter" in magazines and newspapers was 56.7. Thus whether he thinks he is paying for it or not, the man who spends five cents a day on current reading matter is getting over two and a half cents' worth of advertising

material. But newspaper and magazine advertising, though the largest items, are by no means all the story. The figures of the annual volume of advertising expenditure are to the outsider somewhat stupendous. Here is a list compiled by one of the chief advertising organs, "Printers' Ink":

Outdoor, electric, and painted signs	25	millions
Posters	30	"
Street-cars	19	"
Demonstration and sampling.....	18	"
Distributing	6	"
Magazine ..	50	"
Newspaper	300	"
Novelty	30	"

When New York City spent a million dollars in 1909 for one brand of chewing gum, one begins to wonder whence the money comes to advertise it so extensively.

This advertiser, by the way, offers a neat illustration not only of the modern ideas of psychology and imagination in advertising—the two powerful slogans of the new profession—but also of the fact that success here as elsewhere often cuts defiantly across lots and strikes out boldly a path for itself. When his critics condemned him for his inelegance, his childish humor, and his crude vulgarity in picture and phrase, he replied that childishness was exactly what he strove for in his copy. As most of his business was with children and people of unexact minds, childish reasoning and the Mother Goose quality was wanted.

In conclusion, each advertiser must solve his own problem in the light of general advertising experience, and without undue regard to the success or failure of his next-door neighbor. No two advertising propositions are exactly alike. At first glance they might seem to be, but a close examination would reveal a dozen points of difference, any one of which might mark the turning point between failure and success. The study of advertising, therefore, whether in the abstract or in concrete examples, is both interesting and important. It is regarded by some as the coming profession. Volumes have

been written about it in the last ten years, although before that time there was practically no literature on the subject. A ten-volume encyclopedia devoted to advertising has recently been announced. A syndicate has run the "Advertising Talks" of W. C. Freeman of New York in many newspapers, as "live news." But the systematic development of advertising as an exact science is only in its infancy.

XIV

SELLING

1. CHANNELS OF DISTRIBUTION

Importance of the Subject—The Market—Agricultural Products and Raw Materials—Manufactured Goods—Three Channels of Distribution: 1. Through Jobbers. 2. Through Retailers—The Exclusive Agency in Retailing. 3. Direct Selling to Consumers—(a) Over the Retail Counter—(b) By Mail Order—(c) By Agents.

2. RETAIL SALESMANSHIP

Value of Store Service—Good Salespeople the Best Advertisement—Qualities Needed in Salespeople—Rules for Salespeople—Hints to Beginners—Punctuality—Absence—Courtesy and Willingness—Rules of Behavior—Personal Incentive—Politeness Over the Telephone—Stopping a Profit Leak—Importance of Legible Writing—Addresses—Returned Goods—Exchanges—Promises and Guarantees—Purchases Sent Collect—Some Don'ts for Employees—The Employer's Relations to the Employee.

3. SELLING BY MAIL ORDER

1. Retailing by Mail—Keying Advertisements—Catalogues—Distribution of Catalogues—Selling by Catalogue—Method of Payment—Business on Trust—Follow-up Letters. 2. Wholesaling by Mail—Advantage to the Retailer—Baits for Trade—An Unsettled Question.

4. THE TRAVELING SALESMAN

(a) *The Salesman Classified and Described*: Two Classes of Salesmen—What Constitutes a Good Salesman—Enthusiasm—Politeness—Determination—Confidence—The Value of Dress—Knowledge of the Goods Essential—"Do Not Knock"—Knowledge of Human Nature—Summing Up His Requirements—Some Legal Points Every Salesman Should Know—Authority—Hotel Rules and Laws. (b) *Making the Sale*: Acquiring Information—Getting in Touch with the Customer—An Illustrative Anecdote—The Personal Equation—Saying the Right Thing—Demonstrating the Goods—Refusing a Sale—Clinching the Sale—Saying Good-by Gracefully. (c) *Advertising and the Salesman*: Har-

mony Necessary—Bond of Connection—How the Salesman is Helped by the Advertiser. (d) *The House and Its Salesmen*: The Spur of Competition—Evening Up the Salesman's Chance—Keeping in touch With the Salesman—The Troubled Question of Expenses—The Encouragement of the House Organ—Personal Letters—Training the Salesman—Stage One of Training—Stage Two—Stage Three—Expert *vs.* Amateur Methods—How the Salesman Should Act Toward the House—Keeping the Expense Account Down.

5. SALARIES AND COMMISSIONS

1. The Straight Salary. 2. The Straight Commission—Danger of Commission System. 3. Salary and Commission Combined—The Bonus.

6. THE LAW OF SALES

What Constitutes a Sale—The Offer—Acceptance of Offer—Fraud—Consideration of Price—Subject of Sale—Delivery of Goods—Acceptance of Goods—Non-acceptance—Payment of the Price—Action for Price—Stoppage in Transit—Warranty—Breach of Warranty Regarding Quality—Carriage and Shipping.

XIV SELLING

I. CHANNELS OF DISTRIBUTION

ALL mercantile business has two arms or functions—*buying* and *selling*. The exchange of commodities, or their equivalent, designed to meet the varying interests of men and communities, lies at the root of all commercial life. This exchange is universal and knows no end. From time immemorial it has existed, from the birth of the human race, and its existence is bound up with theirs. In the days of the primitive man, it was the rudest kind of bartering, perhaps induced by “club” salesmanship, and it has since passed through all the various stages of development with gradually improving methods of convenience, until it has finally reached the stage where the commodities themselves are unseen things in the realms of high finance.

Importance of the Subject.—With increased knowledge of selling has come increased difficulty of selling. Competition has crept in. It is easy to trace in the imagination the development of the ability of men to prevail upon their fellows to purchase what they wished to sell; and side by side with it has come the gradual growth of that most essential element in modern life—salesmanship.

What, after all, makes the successful man of business? The ability to sell in such a way as to realize the greatest degree of profit, and at the same time maintain and increase his market. The man who gets on in the world usually sells his talents for the greatest personal profit. The merchant who sells his wares at a profit increases

the bulk of his business, seeks new channels for selling, and augments his profits by judicious methods of salesmanship, in which advertising is included, while the merchant whose shelves or whose factories are stored with the best goods in the world may be storing them for years as an encumbrance, unless he creates some vehicle of transference to the public. He who can set them going in the shortest time, and at the greatest profit to himself, is the man who succeeds. He knows how to sell.

The Market.—Speaking roughly, we may say then that business resolves itself into two phases. The first is the maintenance of a continuous flow of goods from raw material through the various processes till finished. The raw cotton after being bought passes into the spinning mill. The cloth passes from there to the shops to keep up the supply of stock, which dwindles away daily as it is sold. The second phase is the distribution of the finished goods, ready for the consumer. It is the consumer who is the ultimate end of all things. He it is who demands, and it is to meet his requirements that the raw material is carried through the various processes of manufacture until it stands forth as finished goods in the correct form, at the proper place, and at the moment when it is most wanted and therefore most valuable. It is therefore the consumer, or the buyer, who guides the producer as to his requirements, and it is the duty of the producer to meet those requirements with the highest degree of care and fitness. How may the consumer and producer have some common ground of meeting or means on the one hand of expressing requirements and making purchases, and on the other hand of receiving such information and delivering the required commodities? That is furnished by the market.

The simplest form of the market is that in which buyer and seller meet face to face. In this case the goods are at the most economical point in space and time, both parties can form judgment in conformity with their own observations, and the goods can suffer no deterioration during transfer from seller to buyer.

Innumerable factors, however, have contributed to render the market a maze of complexities and uncertainties. Producer and consumer are confronted with commercial problems, hitherto undreamed of, and in order to look after their several businesses of pure producing and consuming they have sought a solution of the difficulty. That solution appears in the guise of the middleman. The middleman studies the market and investigates the prevailing conditions of trade. It is his function to buy from the producer at the prevailing price, and sell to the consumer at such time and price as he pleases. He is willing to bear all the risk consequent upon a fall in prices, in the hope of making largely upon an expected rise. Each trade has its various risks. Some trades furnish support to a separate class—the speculators; others to a class of middlemen who do not take the whole risk upon themselves, but are merely intermediate assistants to both producer and consumer in transferring goods from one to the other, and this latter class is composed of those known as brokers, commission men, factors, jobbers, etc.

Agricultural Products and Raw Materials.—Nowhere is the middleman so necessary as in the grain trade. The flour and wheat industries have been affected enormously by various economic conditions, such as cost of production, the immensity of the areas under cultivation and the vast improvement in the mechanical processes necessary in their cultivation and use. The supply must be regulated according to the demand, not of a country but of the world. The producer must keep himself informed as to the demand in other countries. It is left to the middleman to attend to this information and analyze the conditions it reflects.

For instance, look at the wheat industry. The wheat is distributed to the manufacturer—that is, the miller—in great quantities. One farmer can not keep one mill going, and the miller has no time to buy from a number of people at a distance, neither can he afford to do so. It is therefore natural that some central market must exist, into which the farmers can pour the output of wheat.

The grain can be handled in bulk without harm and can be stored in elevators for long periods without deterioration. It can be graded into certain classes, and is therefore a commodity of marketable usefulness. Elevators situated at points convenient for shipping keep up a constant store for the exporter who has to supply the demands of foreign countries.

So, too, with cotton and tobacco. The marketable qualities in these products are entirely developed by the manufacturer. The result, then, of buying and selling in large bulk is to render the speculator all powerful. The cotton, grain and many other lines of business have each their special market, and the business man is only too happy to relieve himself of the possibility of unforeseen losses by selling his grain or his cotton to the speculator who is willing to bear the risks of profit and loss. The speculator's methods and the many economic factors have created for each class markets or exchanges, each with their own special rules of practise and limited membership.

Manufactured Goods.—This market, as distinguished from the preceding ones, does not depend on the centralization of raw materials from many sources for the purpose of mass production. The problem is rather the distribution of finished products from the centers of production among the numberless purchasers. At the same time, there are certain centers noted for the sales of special lines of goods, and the manufacturer usually maintains offices there, so as to deal with the jobber and the commission men if necessary. The manufacturer is separated in a measure from his consumer, and various distributing lines must radiate from the market.

So far, attempts to organize a market or markets for finished goods have not been attended with success, and the manufacturer has been compelled to adhere to seeking his customers through middlemen, or directly by means of branch houses, or agencies, or the mails. It is not so long ago since the manufacturer dealt solely with the wholesaler, who took advantage of his position to force

the manufacturer's hand and to bind him with contracts of an unprofitable nature.

Three Channels of Distribution.—Distribution was formerly largely confined to jobbers, but to-day it is of three kinds:

1. Through jobbers.
2. Through retailers.
3. Direct to consumers, or users.

In reply to the question of what should be considered in determining the best mode of distribution, Mr. Clowry Chapman says:

"In determining what is most suitable in a particular case, the product or commodity, its package, and the extent and intensity of the probable demand must be taken into consideration. What shipping facilities should be provided; whether the article should be sold on credit or for cash, or for both credit and cash; or if on credit, whether it shall be granted on open account, or be secured by notes and liens, are questions also entering into the problem of distribution. Flowing out of these questions will come details of bookkeeping and of factory, office and field organization; and underlying the whole problem must be a thorough understanding of human nature. This should be supplemented by statistics regarding the population of the place where the trade is to be developed, its industries, earnings, and living expenses per capita, geographical and climatic conditions, modes of living, education, extent and cost of transportation; and if the distribution is through dealers, statistics regarding their location and number should also be considered." These statistics can be secured, in whole or in part, from the census reports, from the commercial agencies and miscellaneous statistical publications, among them being "The Mahin Advertising Data Book." Many publishers and other sellers of space, as well as advertising agencies, have compiled statistics which are valuable at this juncture. These statistics are based upon average conditions, and it is necessary to strike an average in order to successfully exploit and sell a product or commodity.

1. Through Jobbers.—The manufacturer, by distributing through jobbers, relieves himself of all his trouble and most of his profits. The jobber takes entire charge of the distribution to dealers, and usually determines by what auxiliary means outside of the employment of salesmen the goods are to be sold. The makers of a popular-priced watch turn over to the jobber most of their product, but at the same time they cooperate with dealers in promoting trade. They present the spectacle of a firm, dealing direct with jobbers, assisting the dealer and advertising to the ultimate purchaser. A great tobacco company sells almost all of its product through jobbers, except in some sections of the South. It maintains large wholesale houses in the principal cities of the States and does its selling through them. In order to keep the jobber in place, the jobber is required to purchase annually an amount of tobacco exceeding his purchase in the previous year. A system of discounts is then operated so that unless he sells the required amount no profits come to him. In another method, the jobber may secure orders from the retailer, but the goods must be shipped direct from factory to retailer. As special selling rates have been made for the jobber, the retailer who can buy in wholesale quantities can reap the benefit and thus oppose the jobber.

In the chemical trade it would seem natural to ship direct to consumer, as the expense of double shipment is very great in this class of goods. The jobber, however, seems largely to control the industry and the manufacturer has to keep in touch with him. The jobber draws a commission, and the goods if in large bulk are shipped direct to the consumer. There are exceptions, and several houses sell only to retailers, allowing reductions on the price on large orders. In the iron and steel trades the jobber is gradually being driven out, owing to his methods of manipulating the market. For instance, he would quote the consumer a price lower than that quoted by the manufacturer, the material to be delivered at a future date; counting on a fall in prices before delivery. If no such fall appeared to be coming, the

market would be manipulated by him to secure the desired prices.

Hardware and grocery products are sold almost entirely by means of the jobber. The boot and shoe trade is only beginning to break away from the dominance of the jobber, by methods of agency and direct selling. So strong was the influence of the jobbers that in some cases they went so far as to demand the surrender of the manufacturer's trade-mark for their own use, since the shoe had become well known to the consumer under the name of the jobbers.

2. Through Retailers.—The manufacturer may deal direct with the retailer, putting in a stock of goods and employing advertising to move them, or he may create such a demand that the retailer is forced to keep in stock the articles which first attracted the consumer in print.

A large biscuit company sells most of its products to retailers, and possesses distributing agencies and centers in most of the big cities. At the same time it keeps the friendship of the retailer by advising him as to window dressing, the stock to carry for his district, etc., and accommodates him by taking back stock left on his hands.

The Exclusive Agency in Retailing.—Manufacturers, in many cases, take advantage of the exclusive agency both with jobber and retailer. In the case of the retailer, the agent is given the exclusive right of selling the particular goods in his own town. It is somewhat difficult to say whether this scheme is altogether beneficial to the manufacturer. For instance, as a writer in "Printers' Ink" says: "When an article is in healthy demand and handled by several merchants in a town where lively competition exists, there is absolutely no question but that three or four merchants will sell more of this product than any one merchant. The fact that goods are handled by several dealers stimulates the sale of that product. Furthermore, it is the exception when any one dealer can hope to secure all the possible trade on that article in his own town. Every dealer has his friends and his enemies, and the

manufacturer who ties up his goods with one distributor in the locality is certain to lose more or less business.

"Further, in spite of the elaborate and well-laid plans of some manufacturers who market entirely through exclusive agencies—plans calling for local advertising and close cooperation—things do not always work out satisfactorily. Retailers may forget to do their share of the advertising as agreed upon—they readily accept all the selling helps offered by the manufacturer, but overlook or neglect their part of the cooperative agreement. The manufacturer is thus made to suffer through the indifference of a negligent dealer. This seems unfair, and an unnecessary position for the manufacturer."

In regard to wholesale exclusive agencies the same writer says: "The manufacturer whose plant is located in one town, and who makes a staple product which comes in competition with local brands in different sections—a product the nature of which involves heavy weights, which affects his profits to a great extent—often finds it advantageous to perfect an exclusive selling arrangement in remote districts. In having a satisfactory exclusive arrangement with a good, live distributor, the manufacturer is permitted to enter these markets and secure at least a part of the business by shipping to the distributor in carload lots, whereas to ship direct from his remote factory in small shipments would wipe out too large a percentage of the profits. Of course, the manufacturer can largely relieve this situation by maintaining a warehouse in remote sections, shipping his goods to the warehouse in bulk, and distributing direct to dealers in small shipments.

"Where the manufacturer distributes through exclusive agencies in remote districts there is sometimes an advantage, because the distributor is oftentimes in a position to cover his limited territory more closely than could the manufacturer, unless he maintained an extensive and costly selling force. It is the custom with some manufacturers to augment the distributor's selling force with one good man, who will cover a big territory—not very intensively, to be sure—but in a way to assist the distrib-

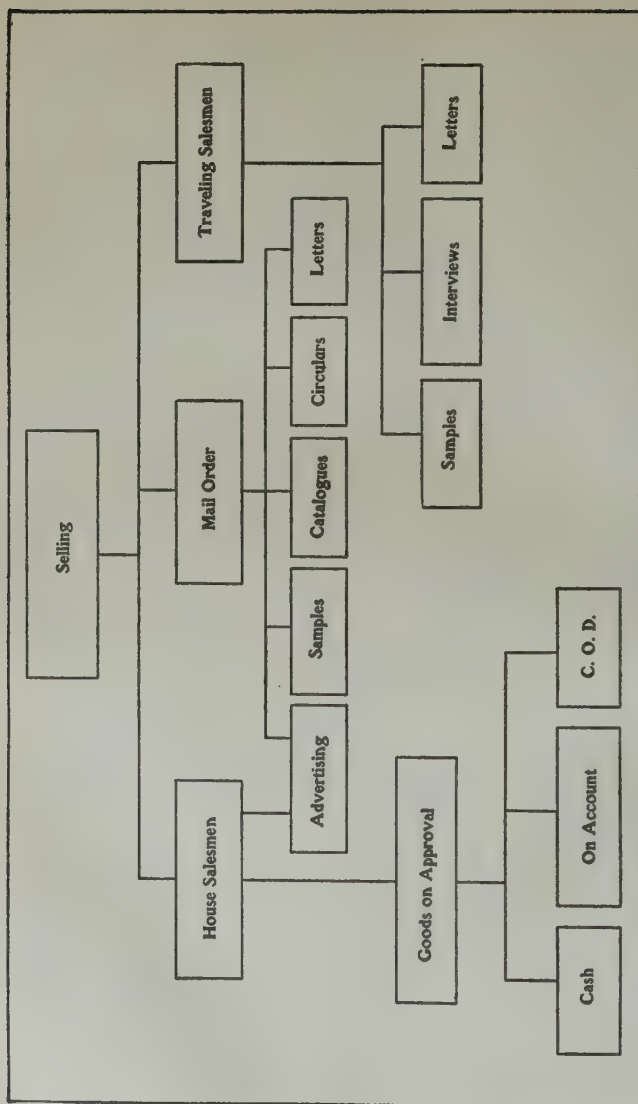
utor, and, at the same time, keeps the manufacturer in close direct touch with local conditions."

3. Direct Selling to Consumers.—This may be of three sorts: (a) Over the Retail Counter; (b) by Mail Orders; (c) by Agents.

When an enterprising manufacturer first conceived the idea of disposing of his product direct to the public, and so saving for himself and the buying public the profits which had formerly gone to the middleman, the idea was scoffed at. And especially when he proposed to do it by means of his own retail stores. Time has, however, verified the first experiments, and one has only to note the recurrence of the names of certain shoe and cigar stores, to mention only two classes of wares, to be convinced that the pioneer of the manufacturer's retail store was right.

(a) Over the Retail Counter.—The retail store need not be owned. In many cases it is merely controlled. The principle guiding the appropriation of this method to a commodity is that of the character of the demand. There would be no sense in a sugar manufacturer opening retail stores. For a commodity such as this demands a system of distribution which supplies the great mass of consumers at every possible point. If the product is a type-writer, then the customer will look for it in some particular district. Consequently the manufacturer will be able to provide for branch stores there. In the same way, specialty goods are sold in retail stores and exclusive agencies.

The boot and shoe manufacturer places his retail stores in the shopping districts and limits his stock entirely to goods of his own manufacture. While several names may occur to the mind as prominent in this field, the main boot and shoe trade still passes through the hands of the jobber. The product of one large shoe company is sold at one price exclusively through their own stores, while at the same time they operate several agencies. On the other hand, its largest rival operates its own stores, but in addition sells to the general trade. Ex-



CHANNELS FOR SALES

clusive agencies sell one particular stock exclusively, and are operated under the same conditions as the regular retail stores, with this exception, that the agent, who assumes the greater profit and loss involved by his contract, employs his labor from his own funds.

A large tobacco company is another example of the manufacturers owning their own retail stores and agencies. They began by exerting a restraint upon the retailer, forbidding him, for example, to handle certain cheap lines of cigarettes likely to compete with their own brands. The cigar market, which they had hitherto been content to leave to others, next appealed to them, and a campaign was at once put in motion, and retail shops were acquired by means of a subsidiary company.

The latter company at the present time has stores, numbering five hundred or more, in every leading city of this country. The stores are carefully selected as to location and will always be found where business is brisk, preferably at a corner. When the company first endeavored to secure good sites, they found many of the best already occupied by drug stores, and to get them it was necessary to form another subsidiary company, which supplies drug stores with cigars and fixtures at a lower rate than competing wholesale companies, with this proviso that only the company's goods may be handled.

A similar selling campaign has been devised by the candy and chocolate trade which maintains its own stores, and when it deals with the general trade, sells its goods boxed and labeled.

(b) By Mail Orders.—The mail-order business is of comparatively modern origin, but every year sees it spreading abroad into wider fields, and assuming vaster proportions. It has been shown that distribution direct to customers, particularly in the rural districts, is profitable, and the mails furnish a convenient method of intercommunication. The catalogues, the newspaper, and various advertising schemes all combine to influence the buyer to send directly to the factory, where the manufacturer fills the order and sends the goods by mail, by the

express company, or by freight. Not only manufacturers have adopted this, but also several of the large distributing firms of New York and Chicago, which receive an average of 25,000 orders a day. Their success is chiefly due to the fact that the farmers, their principal buyers, who constitute three-fourths of the population of the United States, can not buy from other houses or in other ways, goods at prices approaching those offered by the catalogue firms. These houses deal in a large assortment of goods, and their business is strictly retail by mail. Nothing is sold over the counter.

Other houses conduct a mail-order department, either selling direct, or as a means of cooperating with the dealers. Their aim also is to reach the residents of the town. Department stores also have their mail-order methods, and with the improvement of the parcels-post system the mail-order business will undoubtedly become larger than it is.

For a further discussion of this important subject, see *Mail Orders* (p. 592).

(c) **By Agents.**—Selling by personal representatives direct to consumers, while still in vogue, is not nearly so general as it once was. But in certain lines high-class men are still employed with profit. The best method is not to send such men out blindly, but to give them a carefully selected list of names, preferably those of former subscribers, or persons who have answered advertisements or letters. The personal canvasser has a strong argument with the prospective purchaser, *i. e.*, that a direct sale such as this eliminates the middleman's profits and allows the goods to be sold with corresponding cheapness.

2. RETAIL SALESMANSHIP

When one looks around and sees the many stores, large and small, selling the same articles, it may be asked, What is the influence which directs custom to their counters, and having attracted customers retains them year after year? There can be no wide variance in the quality of

goods sufficient to attract trade to one store to the exclusion of others, and the reason must be sought elsewhere. It does not lie entirely in the goods sold, in the type of salesman, in the material advantages derived from good location, fine architecture, convenience for customers, or in the many other appeals made by the modern store. Sometimes it is the predominating personality guiding and swaying the policy of the business, but even then this is but the prime factor in an elaborate system of organization. Sometimes it is the principles for which the house stands, by the strict adherence to which it has gained a name among customers. All things considered, this last may be regarded as the most valuable asset in a business. The personal influence of owner or manager may wane, but the house which has endeavored to build up a structure of good-will is going far toward perpetuating the success of the business. An organization which depends upon the ability of a single individual must dread the failure or passing out of that man. He is the foundation which, if removed, may topple the whole superstructure to the ground.

Value of Store Service.—Above all, a house depends upon the value of its store service; and from the manager to the humblest employee there must be the same spirit prevailing. It may take many years of ceaseless and patient care and attention to develop such a spirit, but the results are such as to repay any trouble a thousandfold.

In a house employing a force running into several thousands of people, in which necessarily there must be almost daily change, some method must be devised by which the last newcomer may be educated without delay.

In certain large department stores, every person in authority over a section or division is for all practical purposes an instructor. It is their duty to guide the movements of those under them, and at the same time to teach them how to act on the next occasion without supervision or reference to them. There is a continual process of education at work. Information is passed from superior to subordinate, and assistants are made

more capable of performing their own duties as well as of acting as a substitute in the absence of their superior. No information should be withheld by one person in the fear that his inferior may aspire to his position, but it should be shared freely and without reserve among all. By giving credit as an instructor to those who take a special pride in educating their subordinates to almost the same degree of efficiency as themselves, this fear of the knowledge being used by the subordinate as a stepping-stone over the teacher's head is entirely removed; and the quality of teaching power is recognized by progressive advancement of the teacher. Added to this sharing of information is the sharing of responsibility. Responsibility is spread over a whole section, instead of crushing down one man with its weight, and to each person in that section is apportioned the responsibility for a certain piece of work, with the knowledge that the house depends upon him to see that it is done. At the same time, the manager is not absolved from responsibility, and it is his duty to keep its balance so distributed that no one person may feel aggrieved at having more than his neighbor. The subtle something known as *esprit du corps* must be instilled into the entire force from cash-boy to floor-walker.

Good Salespeople the Best Advertisement.—The best advertisement for the retail store is undoubtedly to be found in the good impression carried away by customers and reported to their friends and neighbors. Anything which promotes sales is to be cultivated to the utmost, and there is nothing so effective in returning dividends, as the apparent influence of personality in business, exhibited above all in the salespeople.

"If any great storekeeper," says Mr. George French, "would insure the humane treatment of every visitor to his store from every employee, he would have the best advertised place in his field, even though his advertisements in the newspapers filled no more than a moiety of the space occupied by his competitors and rivals. The few stores in the country whose proprietors advertise hu-

mane treatment of customers are therefore notable and noted, even though it has always, sooner or later, been known that the policy was an advertising policy to the extent of something like ninety per cent. The saving ten per cent of humanity toward the customer always proves a great advertising asset. It pays better than thrice as much as whatever may be expended for any other sort of publicity.

"While there are stores and stores, there are few that have discovered a way to make the average clerk consider the customer before his counter as aught but a rabbit in a trap, who is there to be flayed. There are clerks who are only clerks, and there are clerks who are gentlemen and ladies by nature, and will treat customers as human beings should be treated, whether it is in accord with the policy of the store or not.

"There is, usually, one store in a city that has built up a great and profitable business through its humane treatment of the people who trade at its counters; and they continue to trade there, despite the flamboyant allurements of the other places. It is a matter of record that some of the more pronounced successes in the way of big stores have been built up and maintained without the assistance of the newspapers as advertising mediums, and it has been said of them that they did not advertise. The fact is that they have been doing the best and shrewdest advertising possible, within the restricted sphere of the personal influence of their proprietors and salespeople. They are known for the courteous and knowledgeable treatment accorded to every person going to their counters. How it galls to ask, in all seriousness and in search of buyable information, 'What is this?' meaning to ask of the article's origin, or make or variety, and to be told, with lack-luster eye and tired voice, 'A dollar and a quarter.' There is no balm in Gilead for such clerking, but the big stores are full of it."

These big stores present a curious anomaly in the great advertising field. They win their patronage through the arts of the advertisers who consider only the power to attract people, who use the unlimited promise, the un-

bridled assertion, to induce people to visit their shops. But they sacrifice a major part of the results of the advertising by their treatment of the people, and the ignorant and indifferent handling of the goods.

Advertising is certainly not doing its best for the man who pays for it unless its effect is educative, unless it persuades customers to form a habit of visiting the store, unless the goods are of that quality which justifies the advertisement, unless the treatment of customers is so humane and intelligent as to induce them to repeat their visit to the store and come to rely upon it.

The business house that does not give due consideration to agreeable personal contact, and value it as one of its most important assets, is not taking advantage of the most obvious as well as the least expensive method of gaining profitable publicity.

Qualities Needed in Salespeople.—The highest class of salespeople, in a word, must be procured if a store is to maintain its reputation, and upon the atmosphere of the store itself depends the quality of those who sell in it. Such a store is a good place to work in, where work is guided by a complete and friendly scheme of rules, and there is a certain dignity in labor manifested which communicates itself to the customer. Customers like to know that they will meet with respectful and careful attention, and this may direct them to the store employing this, and only this kind.

Mr. Selfridge, who, before going into business for himself in London was instrumental in building up Marshall Field & Co. of Chicago, said on one occasion: "I have always believed that any position, however humble or lofty, should have a dignity attached to it; to the workman it is his work, the most important thing in his life. By acknowledging this importance, a dignity is given to his position which puts it and him on a higher plane. He will then come to respect his work, and hence will do it better and take a greater interest in it—even enjoy it. This dignity and respect can not be afforded to the position by simply talking to the employee about the impor-

tance of the last detail and the respectability of hard work. His position must be given an individuality and responsibility; he himself must be treated as a man, not as so much help."

Rules for Salespeople.—The primary instrument of instruction in Marshall Field's store is their friendly little book of rules, to which we are indebted for several pertinent quotations. The rules are so succinct and to the point, and they have proved so successful in the guidance of this one store, that they may well be adapted to other stores, with such alteration as the individual conditions may require. In addition to this book the firm places bulletin boards in the wash-rooms and elsewhere, on which are posted instructions as to the sale or location of merchandise, and items regarding store service proper, or some word of encouragement, bit of advice, or suggestion. Circulars enclosed in the weekly pay envelopes have also been used for making suggestions and announcements.

The introduction gives the key to the prevailing principle of the house:

"The important part of any rule is the spirit of it. This is gained by understanding the wisdom and necessity of it, and not by mere obedience because it is a rule. No rule seems hard when you see that it is wise—worked out from experience, made necessary by existing conditions.

"The object of these rules is not to abridge the rights of any one, but to point out the path which we believe to be the wise one to follow. The traveler making his way over unaccustomed roads is grateful for the guide-post which tells him the way to his destination—he never complains when the sign at the crossing tells him to go the uphill way, for he is glad the sign is there, and obeys cheerfully because he knows he is on the right road.

"We wish you to see, back of these rules, our earnest desire to conduct this great institution in the most harmonious manner; to give you the benefit of long experience; to save you the retracing of unguided steps;

to enable you to grow in the knowledge of sound business principles and thus to become a credit to yourself and to the house.

"Keep close to the rule book; follow out the spirit as well as the letter of its advice, and you will find yourself on the right road to satisfactory and praiseworthy service."

Hints to Beginners.—The beginner entering the store is not allowed to retire into the background, but from the first is set to learn his or her duties thoroughly and to share in the responsibility of the work, under gradually decreasing tutoring.

"Become thoroughly informed regarding that portion of the business in which you are placed. If in a selling section, learn the names of the goods, where they are kept in stock, their qualities, sizes, prices, for what they are used, etc.

"Learn what is expected of you, as quickly as possible; make your actions correspond with the same.

"Section managers and assistants will watch you very carefully, and will not hesitate to ask for information on any point of business which requires explanation.

"The strictest propriety and greatest courtesy are rigorously required under all circumstances and upon all matters, whether customers wish to purchase, or have finished and request the final care of purchase tickets; whether to exchange merchandise or return the same for credit; to inform themselves regarding an article on sale or simply to visit the different sections.

"You will bear in mind that every person who enters the store is, in a sense, an invited guest, and should be treated as such."

Every effort should be made to set the beginner at ease and every assistance given him by older employees. The latter are expected to set an example of courtesy, cheerfulness, and enthusiasm. They should be especially considerate to new employees, cheerfully answering questions and making them feel at home.

A spirit of cheerfulness will pervade the successful

store at all times. Customers respond readily to cheerfulness on the part of the store and this makes every transaction of the day pass more easily and pleasantly for all concerned.

Punctuality.—The employee must be urged to be punctual, by no system of threats of fines, but by being made to feel that he or she is taking a mean advantage of both the house and their own chances of advancement through dilatory habits.

Do not exact fines for being late, but insist that, as far as possible, each employee be punctual and regular in attendance. If he is necessarily delayed, and can give a satisfactory reason for the same, accept the excuse in a generous spirit.

Absence.—When the employee knows in advance that it will be necessary for him to be absent, he should arrange for same with the head of the department or assistant. If unavoidably detained, he should notify the house without delay.

Immediately upon returning he should fill out the date and cause of absence upon an absence blank, which, when O. K'd by the department head or assistant, is taken to the Superintendent's office.

Courtesy and Willingness.—Courtesy and a spirit of obliging do much to obtain the good-will of customers. Any one who has bought from an unpopular store, can usually trace a disinclination to return to that store to some discourtesy or lack of interest in serving shown by the salesman. Every one is personally acquainted with the listless salesman, who shows goods with a bored air of resignation, and who has to be stirred into showing anything at all. That is the sort of salesman who kills business.

The degree of courtesy should not be regulated according to the apparent social scale of the customer. Dress is sometimes misleading. A millionaire may masquerade as a chauffeur, or the eccentric richest woman

in the world as a charwoman. There is no moral in the little anecdote following, but it is true. A salesman of a big store was asked to show some ties to a quiet little elderly gentleman. Box after box of ties were dragged down and shown, the little gentleman examining them all carefully, feeling them and pouring out a constant stream of questions, all of which the salesman answered courteously. The counter was littered with ties, and the little old gentleman continued busily investigating, pricing, and examining. A floorman in the distance, behind the old gentleman, seemed to be making signals, but the salesman was too busy attending to his customer to notice them. Finally the customer bought the ties, and the salesman, who had preserved his same good humor all through, asked his name and address. The little old gentleman gave the name and address of the owner of the store, whom the salesman had never seen, and smiled and walked away.

Rules of Behavior.—We quote again from the book of rules:

“All in positions of authority are requested to bring to the immediate attention of the superintendent’s office any and all cases in which courteous treatment to all is being disregarded—through carelessness, ill temper, ignorance of the requirements, or for any other reason.

“We receive visits from many out-of-town people, and the impression which is made upon them by a few moments’ interview with our employees remains forever in their minds. If the employees are courteous and polite, the impression is good; if too short with answers or other than very attentive in actions, the opposite is true. We are very desirous that visitors be allowed to see that we understand how to do business correctly, and this effect can only be had when every employee treats every visitor with careful consideration.

“You will conduct yourself very courteously in the elevators. You will not enter into conversation with those in cars unless it is necessary, and under no circumstance will you use the mirror for toilet purposes. You

will avoid pushing and crowding, and will allow the customers to enter and pass out of the elevators first. Elevator conductors are hereby instructed to report immediately to the head of the elevator system any unbecoming deportment on the part of employees.

"You will have patience in serving customers, showing goods willingly and pleasantly, without asking too many questions as to price, width, size, or color.

"See that every customer in every transaction is treated in a manner indicating that that immediate transaction is the chief point of interest in your mind at that time.

"It is recognized in this store that the undue urging of merchandise upon customers is not desired, but this does not in any way mean that indifference in the slightest degree is to be permitted. Indifference on the part of employees is a very serious blight in any business, and we wish it understood that this house considers anything of the kind sufficient cause for instant dismissal. Salespeople will endeavor to serve customers immediately and not wait to be asked by either customers or floormen. When all salespeople are necessarily busy, the one nearest the customer will excuse himself to the one upon whom he is waiting, and will request the customer to be seated, assuring her that she will be cared for within a moment or two."

Personal Incentive.—Every member of the selling staff should be encouraged to acquire a personal reputation for good manners as well as good salesmanship, and there should be no restraint upon individuality. The successful salesman will still further create a character for himself by impressing customers with his enjoyment of the work upon all occasions. There should be no change in his manner when he discovers that a person approaching the counter is not an actual customer, but is simply looking at goods. On the contrary, if the person looking will allow him to be of assistance in showing the merchandise, and this is done carefully and cheerfully, the visitor may oftentimes be led to become a purchaser. Whether or not this is accomplished, however, another result (and

perhaps a more important one) is inevitable—the visitor will go away with a good opinion of the house, or of the high standard of its employees.

It is often pleasing to the casual visitor to have an employee demonstrate sufficient interest in her and in the house, to suggest a visit to some other exhibit upon the premises.

“Have you visited our House Palatial?” asks the salesman at Wanamaker’s; “you may find some useful hints there as to decoration.” Or, “There will be an excellent organ recital in the auditorium at eleven.” This, of course, may be easily overdone, but is useful in particular instances.

Many salespeople think that the house holds them so strictly to account in the matter of sales, that it is not always easy to allow the desired time to particular customers, or carry out the above instruction and at the same time place the required amount of sales to their credit. While it is natural for such a feeling to arise, and, of course, large sales are important factors in fixing the value of salespeople, they do not alone form the basis upon which salaries are paid. Polite attention, interest in one’s duties, and care in waiting upon customers are equally important factors, since these are largely responsible for producing the other much desired result, large sales.

Politeness Over the Telephone.—Even in telephoning, much is expected in the way of courtesy. The mere fact that one is not face to face with the person addressed does not in any way extenuate abruptness, or evident desire to ring off.

Employees having charge of the public telephones should be cautioned to conduct all business with quickness and dispatch, but at the same time with attention to the wishes of those using the telephone.

When an employee is called to the telephone he should respond quickly, since time never seems so long as when waiting for such response. When asked over the wire “Who is this?” he should reply by giving the firm, the department, and his own name, if necessary.

Customers sometimes wish to complain, over the telephone, regarding the non-delivery of goods, or for some other reason, and are at a loss to know before whom to place the matter; they, therefore, ask for some person whom they may know, and request him to see to it. Should the salesman receive any such complaint he should not endeavor to give it his personal attention (unless especially requested to do so), but he should reply to the complainer in a pleasant manner and refer the person to the complaint department. To do this without annoyance to the customer he should ask her to hold the wire for a moment, explaining that he will connect her at once with the department which has charge of such matters, and which will look into her complaint promptly.

It is a waste of energy to lose one's temper at the telephone. The operators are usually careful and prompt, and one always accomplishes more when telephoning by keeping cool.

The way in which a telephone message is sent indicates to quite an extent the character of the sender; and a business house whose telephoning is quick, bright, to the point, and clear in its enunciation, conveys an impression which is always good.

One should never leave the telephone without first informing the person at the other end of the wire as to what action is to be taken; otherwise it may be thought that the request is being neglected.

To illustrate the importance of courtesy in telephoning, the national telephone company in the course of two or three years recently has spent thousands of dollars in educative advertising—showing the public at large the proper use of the telephone, and how courtesy over the wire is just as essential as in the drawing-room.

Stopping a Profit Leak.—One of the profit leaks of any dry goods store, which though minor, yet steadily lets escape a certain proportion of profit, is due to the careless measuring of merchandise. Many yards of goods are carelessly run off, and if the width of the thumb or fingers is allowed (as is often the case), the percentage

of loss becomes a very serious matter. Another faulty method is holding in the right hand the goods which are already measured. The measure must not run short under any circumstances, but there is no good reason for allowing it to run over. A full and exact measure is just to both buyer and seller.

Much waste is caused by the careless cutting of samples of fabrics, especially when a strip is left which can not be sold because of the way in which it has been cut.

Importance of Legible Writing.—The salesman in selling the goods does only a part of the necessary work. Equal thoughtfulness and care should be exercised in issuing the sales check and completing each transaction.

The name and address should be written on single item cash checks in every instance where goods are to be sent, and on all purchase ticket checks whether goods are sent or not.

Fairly good handwriting is one of the necessary qualifications of every salesman, and when one fails in this point he fails in one which is sufficiently important to receive serious attention.

In taking the names of customers, care should be exercised to see that they are correctly spelled; especially is this true when the pronunciation is almost the same, as for instance, "Crane" and "Crain," "More" and "Moore," etc.

Not only is this necessary in the interest of an accurate record, but customers quickly resent any liberties taken with their names. It is a curious trait of human nature, that every man likes to see his name spelled correctly; but it is an important trait that must be reckoned with.

Errors in initials, the omission of the abbreviation "Jr." or "Sr.," when it should appear, and writing the address incorrectly, are serious matters; and the omission of the price per yard, dozen or pair, makes it impossible to bill goods without error and great loss of time.

Addresses.—Care should be exercised to write in a legible manner all names upon shipping tickets.

The full and exact address of a customer should be

obtained, and to that end the question "Near what street?" is sometimes necessary. In large cities, many apartment buildings have numerous suites, and it therefore becomes necessary to give, in each case, the name of the building and the number of the apartment. When a street corner is given as an address, the S. E. corner—for example—should be specified.

Returned Goods.—No department of a store, large or small, calls for more constant supervision, tact, and judgment than that dealing with complaints and returns. Customers should be assured that all merchandise which has failed to give satisfaction may be exchanged or redeemed, at choice of customer, unless it was sold with the understanding that it could not be returned, or has become unsalable through handling or because of the length of time between dates of purchase and return.

Taking back merchandise should be done promptly and pleasantly, credit being issued when desired. The manner of handling such transactions is very important, as it is possible to say the right words but to say them in such a manner as to offend. It should always be a pleasure to do whatever will please the customer, if it is possible to do so consistently with good business methods.

Exchanges.—When merchandise is returned by customers, salespeople should not accept the same for credit, but should in each instance, refer the matter to the nearest exchange desk. If the customer complains or fails to understand just what is expected, a floorman should be called who should accompany her to the desk and explain carefully the desirability of taking and preserving a receipt.

Exchange clerks will issue credits or receipts without delay, subject to the special conditions. If cash credits are sought, they must ascertain that the goods were originally bought for cash. Several stores may sell similar lines of merchandise, and it is very possible for goods bought in another store, at a special price, to be brought back to the wrong house for credit. Unless the cash

ticket accompanies the goods, there is no certainty that the merchandise has been purchased in the house in question.

Care should be exercised in making "even exchanges which are to be taken." Before making any such exchange, the salesman should call upon the floorman, who will act as inspector. Floormen should be careful to see that such exchanges are properly made, that prices correspond, etc. When any doubt exists as to the advisability of making an exchange, the matter should be brought to the attention of the head of the department. Even exchanges should be made only when the attention of one of these officials has been called thereto. When an exchange is made and the customer wishes to take the goods, the floorman making same will place his signature upon the package, so that should goods be later presented as personal goods for shipment with other articles, there will be some indication that the transaction is correct, and the annoyance of investigation avoided.

Promises and Guarantees.—A house can not bear to have the slightest suspicion attachable to the guarantee of its goods, or to the making of promises which are incapable of fulfilment. Guarantees as to wear and color should be strictly avoided, also anything which even savors of misrepresentation of an article.

"We wish to emphasize the extreme necessity of making no promises which can not be absolutely fulfilled," says the book of rules. "From the standpoint of the customer, a promise which is made only to be broken is worse than no promise at all; and while customers sometimes press us for definite information, we must not allow the fact to lead us into agreeing to do something which will not be executed.

"It is far better to lose a sale than to secure it on any such basis, as it is obvious that the customer will be annoyed and in many instances will refuse the goods when delivered. The statement is also sometimes made that 'all goods purchased on Saturday will be delivered on that day.' While this is true as far as we are able to

make it so, there is necessarily an exception to this in the way of bric-a-brac, glassware, or other fragile articles, that require packing. Anything of this nature which is sold on Saturday and which must be delivered on that day, must be marked for special delivery; otherwise it is liable to be held until the following Monday.

"Do not make a promise which affects any employee other than yourself, except with an understanding with the other employee that such a promise is made."

Purchases Sent Collect.—The method of dealing with "C. O. D." purchases, and with those who purchase and promise to call for the goods and pay, is dealt with as follows in the Chicago store:

"Salespeople must be very sure that every check contains the letters C. O. D. when the customer directs that goods be so sent. Occasionally, for some reason which may seem best judgment, our Credit Division sends merchandise C. O. D., which the customer thinks should have been charged. It is, of course, possible that goods may be sent C. O. D. through mistake, but when customers complain of anything of that kind they should, as far as possible, be referred to the Credit Division for an explanation. C. O. D. packages must not be sent for less than fifty cents.

"We wish to avoid, as much as possible, C. O. D. 'will calls,' and the indefinite holding of checks in the different sections. When it is necessary to accept a deposit or part payment, the following system will be used: When a customer makes a deposit and requests that the goods be held, the salesperson will issue a charge shipping ticket only, noting on the duplicate the merchandise sold, the amount of the sales, amount paid, and amount still due. The salesperson will give the ticket and the money to the inspector, retaining the goods in stock. The inspector will send the shipping ticket with the money to the cashier. The cashier will indorse the amount on the duplicate part of the ticket, and return it with receipt, which will be given to the customer. The inspector will hold the shipping ticket.

"Any additional part payments on the same purchase are to be indorsed on the duplicate of the same shipping ticket, and another receipt taken from the cashier, in each instance.

"When the balance is paid, or the goods ordered sent C. O. D., the salesperson will issue the check, and give it to the inspector with the goods. The inspector will send the money, check, and shipping ticket to the cashier, who will mark both check and shipping ticket 'Paid,' and return the shipping ticket to the inspector.

"The shipping ticket only is to be used in sending packages.

"If part payment is to be refunded, a refund ticket will be issued by the floorman or section manager, which ticket may be cashed at the Adjusting Bureau."

Some Don'ts for Employees.—The same house which issues the valuable book of rules referred to also issues a little "Book of Don'ts," in which will be found the following summary of important hints, most of which have been considered in foregoing pages, but which will bear summarizing:

"Don't be listless about attending to a customer.

"Don't let a customer go away dissatisfied without referring the matter to some one higher in authority.

"Don't decline to wait on a customer when occupied with stock work; drop the stock work and give attention to the customer.

"Don't fail to be polite to all; to employees who may be making purchases, as well as to customers.

"Don't neglect a customer who happens to be poorly dressed.

"Don't suggest things out of season; study the intentions of your customer.

"Don't misdirect a customer; unless absolutely sure, refer to a floorman.

"Don't be personal in your remarks to customers.

"Don't talk about personal affairs in the presence or hearing of customers.

"Don't argue with a customer.

"Don't speak sharply to a customer under any circumstances.

"Don't ask too many questions.

"Don't make derogatory remarks regarding merchandise.

"Don't address a customer as 'lady'; say 'Madam' unless you know her name.

"Don't make any promises to customers unless you are absolutely sure they will be fulfilled.

"Don't misrepresent an article for the sake of making a sale, nor guarantee wear or color.

"Don't hurry a customer.

"Don't finish a transaction by asking, 'Is that all'? Rather say, 'Can I show you anything else'?

"Don't imagine you are infallible.

"Don't impatiently resent the action of a person calling your attention to an error.

"Don't stand and stare at customers, or make remarks about them that may be overheard.

"Don't point when directing customers.

"Don't speak sharply or abruptly over a telephone.

"Don't say, 'I'm busy,' when spoken to by a waiting customer; say politely 'Please be seated a moment,' or 'I'll wait on you next.' Show her that you are interested in her. It is sometimes possible to wait on two customers at once, but it requires tact and judgment. Place before the waiting customer the merchandise called for, but do not allow the one in hand to suffer any inattention in doing so.

"Avoid gossiping, and do not allow your friends to consume your time by visiting with you. Do not indulge in conversation when upon opposite sides of an aisle, or at a distance from each other. For employees to go about the store arm in arm blocks the aisles and is not business-like in appearance. Whistling, singing, or humming while in the store must be avoided."

The Employer's Relation to the Employee.—No employer can expect to get the right sort of service out of employees unless he himself is as scrupulous in his atten-

tion in details and as punctilious in his personal relations as he desires them to be. An employee is not a machine, but a human being. He can be driven just so far and no farther. He can be made to give a certain amount of grudging service, or he can be aroused to personal enthusiasm so that he looks upon the interests of the house as his own. No employee, no matter how unimportant his position, should be forgotten or lost sight of; but every one whose name is on the pay-roll should be recognized as an important part of the establishment, and his individual efforts should be carefully and frequently considered.

If an employee feels that he is entitled to promotion or an increase in salary, he should feel at liberty to state his case without fear of snubbing or discourteous treatment.

The employee should also be made to realize that he is in a position of responsibility. It is impossible to do business of any sort without reposing confidence in a number of people. Every employee should know that he is in a position of more or less trust, and owes to himself and to his employers a faithfulness to that trust. To fail and to be detected in wrong-doing is to pay a large price for a very small thing. One's good name, and the confidence of friends and indorsers; one's feeling of strength in himself; all go when one proves faithless to such a trust.

The employer can emphasize such points as these, not in an unkind or dictatorial way, but in such manner as to arouse all the best instincts and principles of his assistants. In this way, and in this way only, may the foundations be laid for a successful retail store.

3. SELLING BY MAIL ORDER

The mail-order business is the outgrowth of the persistent demand in the rural districts for opportunities to purchase supplies and commodities, such as are sold at city stores, and at city prices, without the necessity of visiting the city. This extensive and constantly growing trade is established in three ways which often overlap

each other: (a) advertisements in newspapers or periodicals; (b) circulars and catalogues mailed to selected names, or upon request; (c) the follow-up system. Mail-order selling has been used to advantage by (1) the retailer and (2) the wholesaler or jobber.

1. Retailing by Mail.—The retail mail-order business, as conducted on the present immense scale, was originated in the enterprise of A. Montgomery Ward of Chicago, in 1872. Ward began business as a simple purchasing agent, filling the orders of the Western farmers, and gradually developing, until at present he conducts his own factories. His phenomenal success has been rivaled only by that of another Chicago establishment, founded in 1895. In 1909 conservative estimates reckoned that the gross annual business of the two concerns stood at over \$100,000,000. In addition to these vast mail-order stores in Chicago and other cities, there are multitudes of small dealers in specialties and general merchandise. A curious instance is that of a wholesale house, which might be included among the mail-order business, with a selling list of over 15,000 retail merchants. The house is situated in Baltimore, Maryland, and started with \$600 capital. It now employs 893 people and is rated above a million dollars. It employs no traveling salesmen, and its whole business is that brought by printed matter. It issues two house publications; one preliminary, the other in response to inquirers, with a total circulation of 85,000 in all. From these publications and the activities of its correspondence department results a business of about a million dollars a month, at a selling cost of barely over 2 per cent.

Keying Advertisements.—The question of newspaper and magazine advertising to secure mail orders is dealt with in the chapter on *Advertising* (p. 520). It is all-important that the advertisement should be so framed as to induce immediate sending for the article, or for further information.

In order to keep a check upon the amount of inquiries,

which, be it noted, do not necessarily mean sales, the advertiser uses a "keying" system. This is usually done by requesting the inquirer in writing to mention the name of the publication, or to refer to a number, or some such means. This is almost without exception unsatisfactory, and gives the advertiser a false impression of the value of his advertising mediums.

One of the best methods of keying is the "coupon," which is simply a space at a corner or bottom of the page, containing usually a request for a booklet or catalogue. This coupon can be torn off and mailed in an envelope, thus saving the writing of a letter. The idea is that the inherent laziness of man is overcome by this labor-saving device. Each coupon has a special device, number or letter, which enables the advertiser to know by which publication the inquiry was prompted.

Catalogues.—According to the general policy followed in the conduct of a large mail-order business, the original cost of articles sold is estimated at one-third the gross income on sales; another third being debited to advertising, leaving the remainder net profit. Consequently, when the annual receipts increase to the large figures realized by some leading concerns, the question of the most effective methods of advertising becomes of prime importance. For this reason, the usual magazine or newspaper is abandoned in favor of the extensive illustrated catalogue. This mailed to a select list of former patrons, or of names obtained from letter brokers, frequently achieves as good, sometimes better, results for the money expended, as would the equivalent in ordinary advertising. In fact, the leading mail-order houses expend the larger proportion of their advertising funds in the publication of catalogues, using the columns of the periodical press merely for announcing special articles.

When business is so done, it brings the advertiser and the buyer into immediate touch, so that each may know and respect the needs of the other. It means enormous economies for the middleman, and so lowers the cost of goods to the consumer by the amount of his profit. It

means more to the advertiser, for he is spared the cost of salesmen, and all the other intervening deterrent factors of his profits.

Distribution of Catalogues.—The mail-order house naturally gets many inquiries which have no further aim than obtaining a catalogue, out of curiosity or some such idle reason. The real probable buyer is sometimes hard to sift from among the mass of inquiries, and in order to locate him, it is usual to mail a folder or preliminary letter as a feeler, with a return card. If the house is a large one with many departments, a mailing card is enclosed showing the class of goods sold and asking that the inquirer indicate the nature of the catalogue he wishes sent. Thus those who have no particular interest in inquiring will drop out, and an expensive catalogue need not be sent. So, too, with the special inquirers who return request cards, the big general catalogue, costly both in printing and mailing, is not required—a smaller one devoted to one department may be sent instead. The demand of postage for a catalogue will not deter the real buyer, but will nearly always weed out the curious; and when one considers that certain catalogues cost as much as thirty cents to mail, the bearing of the cost of catalogue postage by the buyer does not seem an unreasonable thing to ask.

There are two great mail-order houses in Chicago alone, already mentioned, each doing an annual business running into many millions of dollars. One of them established only 15 years ago mails every business day of the year 22,000 catalogues of 1,200 pages each, and it has 6,000,000 customers on its books to-day. Another annually circulates over 4,000,000 catalogues, of such bulk as to require 30 cents postage each, a total of \$1,200,000 for mailing expenses. These houses sell pretty nearly every kind of implements, goods, and supplies used in the world, all of which are offered in no other way than in printed words and pictures; and they have satisfied customers and a reputation for integrity and honest dealing in every town and village in the country.

Selling by Catalogue.—Certain problems confront the house employing the mail-order methods. In order to compete with other houses employing salesmen certain advantages must be offered to the buyer. Above all, the price must be sufficiently low to appeal to the pocket. This can only be done by having a buying knowledge. The goods must be bought or manufactured at the lowest cost compatible with the quality advertised or catalogued. They must be catalogued in an attractive manner with lots of illustrations. The descriptions must be accurate and concise, yet giving a full idea of the article. The arrangement of the catalogue should be clear. Classes of articles may be noted by sectional division of the edge, with different colors. Any scheme which will facilitate reference should be adopted. The prices should be clearly stated and as low as possible to leave a fair margin of profit, and should not be such that alterations are required. It is essential, above all, that there should be conformity with the catalogue in value and quality, and that in case of complaint the price of the article should be refunded, together with freight charges. If there is likely to be any delay the customer should be notified at once; but as delay can only result from the fact of the article requested being out of stock, it will be seen that stock should not be allowed to get low. To run out of any article is to argue a defect in the system of the business.

Method of Payment.—Most of the mail-order houses conduct their businesses on a strictly cash basis, payment being forwarded with the order; but there are many that have instituted a credit business as a means of attracting custom. A much more elaborate accounting and collection system is involved, however, and if payment is permitted to be made by instalment, office work is enormously complicated.

Business on Trust.—A surprisingly large number of enterprises depending on mail-order methods have built up considerable property by these direct appeals to the honesty of the public. They offer to send goods on ap-

proval, with return charges paid, if not satisfactory. This seems a heroic, not to say a desperate, policy; and yet the percentage of losses through dishonesty proves encouragingly small. If reports may be believed, the same may be said of losses through failure to complete payment. The plan is to advertise some articles of utility—*e. g.*, some calisthenic or culinary appliance—with the offer to send a sample on approval, to be purchased, if satisfactory, by instalments. Books, also, have been widely sold by this method.

Apart from the element of apparent risk, which would logically deter many persons from attempting to do business along these lines, experience seems to warrant the statement that, for certain definite lines of merchandise at least, the "send on approval system" is the very best advertising scheme in existence. This seems reasonable, because (*a*) the direct appeal to his honesty and the frank willingness to assume the fact of his responsibility are distinctly flattering to the possible purchaser, prejudicing him favorably to the proposition; (*b*) it affords a means for the public to judge the merits and availability of the article in question, eliminating all possibility of deceit and misrepresentation; (*c*) it proves that the average of honesty is exceedingly high.

A certain publisher of practical popular handbooks and educational treatises, who has followed this plan for years, states that his total losses since beginning business, including damaged goods, strays, bad debts, etc., has amounted to only 6 per cent of his gross income.

Follow-up Letters.—The sending of follow-up matter is another and valuable method, which is often misused. In addition to sending out single catalogues or circulars to selected lists of names, or on request, some advertisers employ the follow-up system of getting at their prospective buyer. Any one who responds to an advertisement has at least some curiosity, and this curiosity must be converted into something more. The advertiser sends out several consecutive letters, usually form letters, or a series consisting of circulars, folders, etc., at periodic intervals.

Their value lies in the persistent repetition of the argument either in a stereotyped form or in attractive variations; the form of the matter may be changed, but the main idea, that the recipient should finally be induced to buy, should never be lost sight of. Thus a series may consist of a catalogue or booklet, personal letter, reminder, post-card, circular letter, and sometimes a wire, sent out one after another, and all inviting purchase.

For a more complete discussion of this important subject see *Form Letters and Follow-up Systems*, in this volume.

2. Wholesaling by Mail.—For years the manufacturer and the jobber have tried to solve the problem of how to dispense with the services of the traveling salesman and his expense. The solution has come to some of these houses in the shape of the catalogue and the mail-order business.

Nowadays the mail-order firm can reach with one issue of its catalogue thousands of retail houses, which it would have taken years to cover with a selling staff. Better, it reaches them monthly and keeps its wares prominently and persistently before them. By this means, if the goods are meritorious and sold at the right price, the mail-order house can oftentimes cut out the traveling salesman altogether.

Advantage to the Retailer.—By this system the retailer need not carry more than a month's stock. The wholesaler's catalogue comes in monthly and is always there to quote prices and facilitate speedy buying. The buying price is fixed. There need be no hesitancy in buying. The goods are described and illustrated. The retailer can buy when and in what quantity he pleases, and is not rushed into buying a stock that may be left on his hands indefinitely or only sold at a loss. Not so long ago the retailer divided his buying periods into two—summer and winter. He laid in stock for six months, often in the most sanguine spirits, looking forward to doing an increased business, and priding himself on his foresight in

having secured some reduction in the price in consequence of the size of his order. Things might go well with him and he might prepare for another season; though he forgot that he was paying interest himself on the stock lying on his shelves. On the other hand there might be a depression in trade, a dull season, and a stock of winter goods lumbering up shelves that should receive summer goods. His only way of escape was to sell at a loss.

But the mail-order man has come to his rescue. "See here," he says, "every month I'll send you my list. You'll find everything in plain figures, and you'll note that I can afford to make these prices of mine the lowest in the market. I have cut out a lot of selling expenses and can afford to give you the benefit. Now let me lay in your stock as you require it. I'll stand responsible for capital. Why should you be left with surplus stock, when I have a market for it every day in the week? When you want anything order it in instalments, by tens instead of gross lots. We aim at establishing a price outside of market fluctuations. If there is a profit it's yours, if a loss it's ours. That's a good proposition, isn't it? You can get along with less capital, less space filled up with the same articles, and you will have more opportunity to keep your stock abreast of local requirements."

Baits for Trade.—The wholesaler who sells by travelers tempts the retail buyer with a price per carload, or in other large lots, the orders being usually steady when connections are once established. But prices must necessarily be graded up to the smallest merchant who has to pay proportionately for the smallness of his order.

The wholesaler by mail can not and does not want to scale prices. His prices are fixed, therefore he must appeal mainly to the smaller retailer, and he can only do this by underselling the wholesaler employing salesmen. It is the bait of low prices and the same prices to all that he must use to advantage to angle for custom.

The progressive mail-order man will offer other inducements. In one specific instance, each number of a mail-order catalogue contains selling hints, instruction in

window dressing, etc., and the publisher stands ready to give every possible assistance in disposing of his goods.

An Unsettled Question.—The subject of wholesaling by mail is still open to argument, however. It has not passed beyond the experimental stage, and therefore its advantages and disadvantages can not be set forth with accuracy. The foregoing discussion has looked upon the venture largely from the optimistic side. But there are many old-school merchants who prefer to keep in close personal touch with their trade through their traveling men. They argue that the catalogue is too liable to be mislaid or tossed aside; that trade obtained under such conditions is unstable, and may be lost to the next fellow who may happen to get up a more attractively worded or printed catalogue; and since the personal appeal is lacking, there can be no intimate relations between house and customer. The proof of the pudding is in the eating.

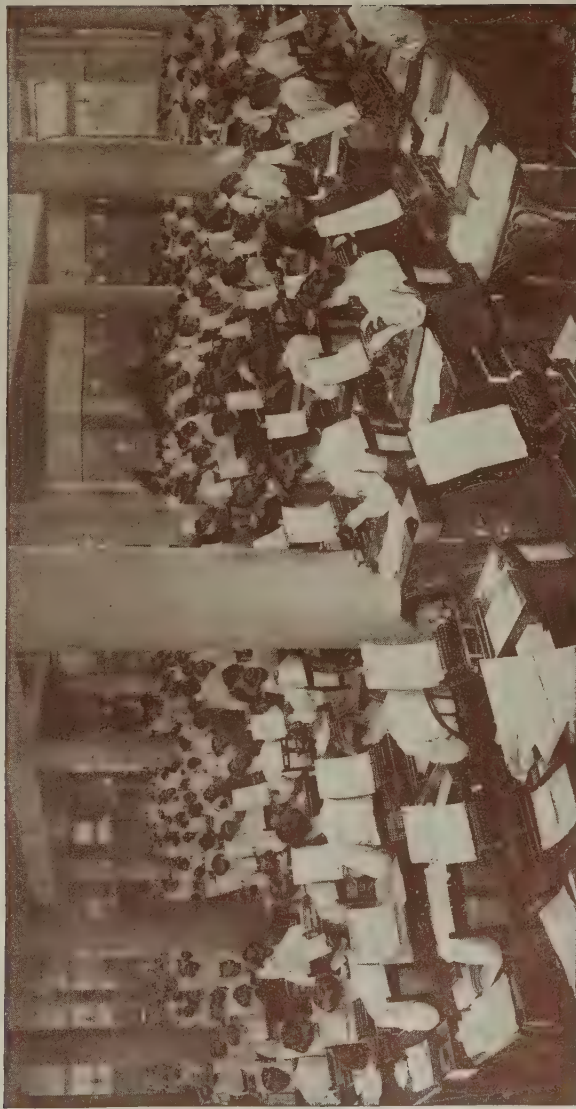
The next ten years will probably see a much greater development of mail-order selling, as applied to wholesale trade, and therefore a better opportunity to classify its results.

4. THE TRAVELING SALESMAN

(a) The Salesman Classified and Described

The position of the traveling salesman in commercial life is too well known to require definition. He is the intermediary or "go-between," bringing together successively the manufacturer, the jobber, the wholesaler, and the retailer, or any combination of them. There are thousands of these advance agents of business constantly upon the road carrying their sample cases from city to city and town to town and thus keeping the remoter districts in constant touch with the goods, styles, and prices of the distributing centers.

No matter what line of goods the salesman carries, the same general rules apply to each and all, although the business itself constantly presents new aspects. The simple booking of orders from a customer of long stand-



Part of Office Force in a Large Mail-order House, Chicago
No less than 400 typewriter billing machines are used in this one room. (See page 274.)

ing is to the salesman a totally different proposition from creating a market for goods, exploiting new fields and interviewing unknown quantities. It is this which tries the mettle of a salesman, especially if he is new at the game.

Two Classes of Salesmen.—Traveling salesmen, engaged nowadays in assisting the manufacturer, wholesaler or jobber, in selling his products, can be separated broadly into two classes:

1. Those who sell staples.
2. Those who sell specialties.

Between these two classes distinctions are continually being made. One is called a drummer, and the other a specialty man. The drummer sells staples, such as hardware, groceries, drugs. He carries hundreds of separate commodities. His sample trunks are big. He centers his energy upon everything with the particular trade which he works. The specialty salesman, on the contrary, is usually a specialist in selling some one article, like an adding machine, a vacuum cleaner, or a restricted line of supplies or tools used in manufacturing. His samples may consist chiefly of well-arranged facts, backed by a few photographs or working plans. The drummer is old, the specialty salesman new.

There were few specialties to sell a few years ago. Many of to-day's conveniences were unknown. The business world had not learned to set high-priced men to selling one article. But as inventions multiplied and magazine advertising and other factors welded the American public together, a national market was created for every concern that could take advantage of it. Soon the specialty man became a prominent figure in selling. He was trained to sell just one thing. Special devices were often built into that one thing to help him sell it. His margin of profit permitted more elaborate tactics, his field was wider in every way, and his whole proposition more interesting.

The drummer must often devote himself to selling a staple like common table salt in car lots on a margin of

a cent a barrel. There is nothing in table salt to appeal to the imagination, and he sells to customers to whom the finest offer he can make would be some little trifle like an extra cash discount.

The specialty man selling a time-clock or adding machine to the same customer, however, may call his attention to a wholly new way of conducting his business and enlarging his profits, and lead him to think in fresh channels by appealing to his imagination. The specialty man has thus become a dominant figure, while the old-fashioned drummer is not infrequently thought of as a relic of the past, useful, perhaps, and necessary just now, but certain to be eliminated by the next movement in business expansion.

This way of comparing them, however, is quite wrong; for the drummer still has the more interesting and difficult field in selling. The very fact that he has to handle table salt on a penny margin makes his whole sale largely a play upon human nature. He studies customers where the specialty man studies goods, and is a past master in his knowledge of human nature, because he has to be.

A typical specialty salesman's experience may not only be confined to a single device, like a typewriter, but he may often have been trained so thoroughly in the special advantages of one make of typewriter that he can not sell another make. An aggressive Western house in this very line has built up a strong sales force, taking men who have never sold goods, yet who display marked ability, and training them to sell that machine against all others. Competitors have repeatedly taken away crack men from this organization, yet it is said that they seldom succeed in selling other machines because of their highly specialized training. The specialty man in any line in fact, no matter what his ability or experience, would find it difficult to sell staple goods to the regular trade. There is a continual demand for staple goods and there must be salesmen to supply it, but it is in this trade that the fiercest competition is encountered. Still it is here that the good salesman gets his chance, and if his goods are at least equal in quality and on the same scale of prices

as those of the competitors it rests solely on his own efforts to secure the orders.

What Constitutes a Good Salesman.—The man who makes up his mind to become a traveling salesman will find that he has to pass through painful experience before he can hope to reach brilliant success. Time has exploded the old idea that salesmen, like poets, are born not made. Of course, there are exceptions here as elsewhere. Some men have aptitude for selling, but they are few and far between; and it is recognized to-day that the young man with moderate intelligence can be educated in the science of selling, for salesmanship is now a scientific study.

The new-fledged salesman may have been a successful retail salesman or a house-to-house canvasser, but his training in these lines will have given him but the slightest insight into scientific salesmanship. And it is only when he realizes the economic possibilities of the experienced salesman sufficiently well to put them into effect that he can consider himself as a success.

Salesmanship, in fact, is not mere selling of goods. It is much more than that. It is the focusing of the mind on the question of selling the goods in hand, with the intention of employing the knowledge gained in this transaction in the sale of other goods of the same kind, at less cost of time, effort, and expense, with more directness and force, in fact, with more science.

The prospective salesman need not have a college education. If he has, however, it is a good foundation for what is to come. A good general education is a necessity, however, as it is to every one engaged in any calling or occupation. The salesman in the course of his travels encounters many people who abhor slipshod English, even in a business transaction, and he can not afford to fail to hold his customer through such a cause. Of course, there may be occasions in which one must adapt one's speech tactfully to the prospective buyer, but as a whole it is well to be careful of one's language without making it too pedantic.

Two of the best assets which the apprentice salesman

can have are a robust constitution and a cheerful disposition. These two will enable him to bear some, at least, of the troubles of the road.

Enthusiasm.—The salesman who wants to keep himself from growing stale and languid in his duties must be inspired with enthusiasm, and this enthusiasm must never be allowed to run down, for he can not arouse the feeling in others when he does not possess it himself. Enthusiasm is an infection and a very taking one, if sincere. It is a quality which can hardly be rated too highly. Clean, honest enthusiasm will often succeed where a dry, uninterested setting forth of prosy facts about one's wares is so much time wasted. Be in real earnest. Show faith and real belief in every word you say, and let your manner be as enthusiastic as your words.

Have confidence in the goods. Believe that they are the best and that they have all the qualities you are ascribing to them. The manufacturer who expects his salesmen to sell goods which he knows are not good is planning badly. An unstable business breeds unstable salesmen. The salesman who is continually talking what he does not believe, whose arguments are specious, and who has to bolster up his sales with mendacity, must degenerate not only in his salesmanship, but in the honesty of his dealings with his firm. It is not reasonable for the firm to expect sincerity from a man whose business is unblushing falsehood in obedience to their orders. The house which seeks permanency will learn to its cost that salesmen will not remain loyal if poor goods have to be sold.

There is no satisfaction in selling goods which you know are bad, but there is a genuine delight in handling those in which you have absolute faith. Given good goods, then follow good salesmen and good business. It is simple progression from merit to enthusiasm. Whenever the salesman finds that he is weakening in his enthusiasm and ability to put up a selling talk worthy of himself and his firm, he should go to his manager and have a talk with him. It is the duty of the sales manager to inspire the men under him and keep them up

to the mark. The feeling he wants in his men is something more than pleasure in outdistancing competitors and selling a large bill of goods; it is loyalty and pride and a real affection for both duty and firm.

Politeness.—There is not as much room as there once was for “rough diamonds” in salesmanship, those uncouth fellows whose hearts are true and who underneath the surface are gentlemen. There may be a few exceptions to the rule, but these men succeed not on account of an uncouth exterior or brusque speech, but in spite of it. If they are real gentlemen, they must show it. Neither is there room for people whose politeness is so fulsome as to be offensive. But there is a welcome for people of good breeding. First impressions are often the ones which last, and the salesman who approaches his customer in a brusque or indifferent manner, or overdoes his politeness till it is almost cringing, is doing something which must injure his standing.

Determination.—Any one who is oversensitive need not attempt to be a salesman. He must be able to take a rebuff without taking offense, and without losing heart. There are some men who take a delight in “turning down” the salesman, while others do it thoughtlessly. Often it is the salesman’s own fault. He is lacking in the power to interest or convince which he ought to have to compensate his listener for loss of time. There must be a determination to hang on in spite of opposition, to return again and again if need be, and to register a vow that the obdurate one will succumb sooner or later. At the same time, too, he must never lose control of his temper or allow himself to forget his purpose. Thereby he will be able to determine the moment to change his front and try another point of attack, for he will recognize that every customer has a different approach and resents any attempt to deviate from it.

Confidence.—Any previous position in which he has been brought into contact with people of all classes of

society—principally the educated—is a factor in giving the salesman that ease and self-confidence which he needs. The rough, awkward edges will have been worn off, and he is now somewhat a man of the world, and as such capable of talking without diffidence to any one. Any class of work where people are met must have the effect of obliterating self-consciousness. This independence of thought and feeling leaves him at liberty to give himself entirely to the problems directly connected with his duties. As he grows older in business his confidence in himself will increase and become part of himself.

The Value of Dress.—Dress is of value to the salesman only as one of the helps or clues given to the customer in estimating a man's position, and usually his worth. The first impression which a new salesman makes is that given by his outward appearance. This is sized up at a glance. Face, hands, and clothes, all are included. The first two, save for being kept clean, are beyond human control, except in so far as the face is amenable to expression. But clothes in a measure represent the personality of the man. The rule is, of course, only a general one and not infallible. A crazy man may wear sane clothes, but a sane man is somewhat nervous in attire not conforming to the ordinary standard. An ill-dressed man may talk like a prophet, and a well-dressed man may be a tailor's dummy. The appearance of prosperity may seem to reflect the excellence of the goods sold. On the other hand a man too well dressed—that is one who seems to make dress his principal study—is apt to arouse contempt.

There seems then to be a medium in dress as in everything else; and the more quietly and neatly the salesman is dressed the better for him. He can offend no one. The spectacle of a combination of informal and formal dress is not inspiring and is apt to detract the thoughts of the listener from the reasonableness of the arguments. The diamond ring so often seen in company with an unwashed hand is more than offensive; while the effect of the best-dressed man is spoiled if he seems to carry

the contents of a perfumery store concealed on his person. These things as well as peculiar tastes in dress betray the fact that the salesman is lacking in the knowledge of human nature, that he evidently does not study his fellow men sufficiently. It will be apparent to the customer that he is dealing with a man who is not on the same plane of thought as himself, and consequently he can not be expected to view the question from the same point of view. Such a man may fail to get even a hearing.

Knowledge of the Goods Essential.—The salesman should have a clear knowledge of the goods he has to sell. If he hasn't it, he must set to and acquire it. This is more than the conning over of the firm's catalogues and printed lists. His customers themselves using that as a handbook may know the goods better than he himself does. He must, first of all, know the general uses of the goods—from the printed lists, etc.—and having once done this, he should frequently visit the factory in which the goods are made, and make himself thoroughly familiar with the process of construction from the raw material to the finished product. He should absorb every bit of information possible from foremen and superintendents, and should not stop until he understands the meaning of every step in the making of the goods he is about to sell.

He is then prepared to discuss his business with a sureness and intelligence which otherwise he would not have had, and his comprehensive knowledge of the goods, their quality of material, and construction, gives him an advantage over an unskilled rival, or enables him to meet any competitor with assurance that he has at least equal knowledge. Besides knowing his own goods from A to Z he will have, as far as possible, a similar knowledge of the leading goods made by competing firms. He can learn what they claim for their goods by examining their matter, and discounting a certain amount of descriptive excess he will ascertain the facts that he wants. The printed matter will be sufficiently accurate, for no firm cares to issue statements which can not be supported.

From the knowledge which he gained in the factory as to the making of such goods, a few minutes' examination will reveal to him the weak and the strong points. Then, by comparison with his goods, the exact points of difference can be studied.

"Do Not Knock."—The wise salesman will, however, say little about his competitors' wares, but make use of his knowledge to strengthen his own arguments, without incurring the hostility of a friendly competitor by an appearance of "running down" or "knocking."

The following is an extract from a monthly advertising schedule issued to the salesmen of the Western Electric Company:

"Gentlemanly bearing, frank address, mastery of your subject, and enthusiasm are all so obviously necessary that every one whose line of effort is sales work instinctively acquires or seeks to acquire these qualifications.

"Occasionally we see a salesman who has developed an exaggerated standard for one or all of these 'essentials' of salesmanship. It is easy to 'overdo' any good thing.

"We should particularly guard against that degree of enthusiasm which leads us to draw unfavorable comparisons with our competitors, which might in any way be construed as 'knocking the other fellow.'

"There is not one salesman in ten thousand who can institute unfavorable comparisons, reflecting on the integrity and fair dealing of another dealer or manufacturer, without creating the impression that the other fellow is a formidable competitor, and we fear him.

"Building up a customer's list on 'prejudice' is 'bad business.' Such a list will last just so long as you can find a new prospect to humbug—to take the place of the customer who 'woke up.'

"The only customers who last are those secured on a basis of 'Quality,' 'Service' and 'Fair Dealing.'

"You are happily placed in representing a company which can 'interest' anybody—anywhere—on this, the only solid foundation upon which a constantly growing list of satisfied customers can be built."

Knowledge of Human Nature.—The salesman, as he progresses, will gain a valuable knowledge of human nature which will be of greater assistance, if properly used, than almost anything else he has been born with or acquired. That instinct which he will possess will enable him to pick his way carefully among the difficulties of his calling. When he enters the office of his prospective customer he will, after the first few words, intuitively recognize that the moment is not propitious and will withdraw with a good-natured apology and promise to return at some less inopportune moment. He has the good sense to recognize, what some salesmen do not, that there are other factors in the carrying on of a business than the purchase of Mr. Salesman's wares, and that other and more important matters require immediate attention. These must be disposed of before the merchant's mind is free.

In nothing so much as business is there time and place for everything, and each business man in his own consciousness establishes the fitness of these two unities. He may have a board meeting at a certain hour and is hurrying business to be there on time. He may have had a bad night and be indisposed to see anybody. There are a thousand and one reasons why the salesman should be as careful in choosing the correct occasion as he is in choosing an engagement ring. Both mean a lot to the other party.

Once inside, the salesman who can read his prospective customer, sum up his strong and his weak points of resistance, and find out his likes and dislikes, can direct his attack without loss.

"That," says Mr. Wm. N. Bayless, Jr., "is half the battle; the other half is knowing when to leave.

"After the salesman has booked his order and the customer has signed it, the best thing to do is to get out. Unless he knows his customer very well, the salesman should not stand and gossip, because his customer's time is usually valuable, and he should not talk shop, for it gives the customer an opportunity for post-mortem reflection, and fearing his order has overstocked him he

may want to cut down on the quantities a little. Smile and say good-by.

"There was a salesman for a wholesale rubber house with the 'gift o' gab' who would talk a dealer into buying a bill of goods and then when the order was signed and in his pocket, he would sit and talk and talk until he talked his customer out of it, and often lost the order. Human nature is full of prejudices, often unreasonable; it is 'up to' the salesman who looks ahead to study these things and try to steer clear of them, even if they seem to be foolish.

"A certain young salesman for an Eastern manufacturer had been straining every means and power at his command all day long to put through a certain deal with a customer. He was a good salesman. He knew his line, his competitors' lines, his customer's selling plans, retail market conditions, etc. He marshaled his arguments logically and forcibly and was winning out. The dealer was finally brought to the point where the contract was to be signed. The young salesman leaned back in his chair and lit a cigarette in the enjoyment of a hard-won victory.

"Now, this dealer was a crusty old chap who had a violent and unreasonable antipathy for cigarettes. He did not mind a cigar, or even a pipe, but he hated cigarettes. He became so incensed over the offending cigarette smoke that he declined to sign the contract, despite all argument; and the best he would do was to promise to think it over until the next afternoon. Before the next afternoon came around a competitor of the Eastern house got in to see the 'old man' and the young salesman lost his contract. He had chosen the wrong moment to light his cigarette. Had he waited until after the paper was signed, or, better yet, had he waited until he got outside, he would have taken the contract away with him.

"Ninety-nine times out of a hundred, perhaps, a small thing like this would not have influenced a buyer against a good proposition.

"But that was the hundredth time."

Summing Up His Requirements.—Mr. Hugh Chalmers says: "I have had a great deal to do with salesmen. I was a salesman myself for a great many years, and I have employed and supervised the work of hundreds of others. There is an old adage which says 'Salesmen are born and not made.' I don't believe that. I believe that salesmen are made as well as born, and teaching will do a great deal to make a salesman. However, there are ten qualities which a man must possess to be a successful salesman, and as far as my experience goes, I should say that these principal qualities are Health, Honesty, Ability, Initiative, Knowledge of the Business, Tact, Sincerity, Industry, Open-mindedness, and Enthusiasm. I think these same qualities may be applied also to advertising men, or, as a matter of fact, to any man, because when you get right down to the facts, we are all salesmen. Every man is trying to sell his personality to some other man. He is trying to impress the people he meets. He wants people to think well of him; consequently he is a salesman, because he is trying to sell his good qualities to other people. A man may not have all ten of these qualities, but in proportion as he has them will he succeed.

"Now, when I say that he should have health, I do not mean that you want to go to the extreme of interfering with a man's private life and tell him what he should eat or drink, or anything of that kind, but I believe that in the selection of men the question of health should enter largely, because, in my own experience, a healthy mind is better nourished in a healthy body than otherwise. The man who has health of body is surer to have a healthy mind than the one who hasn't bodily health. On the question of the health of the salesman enter those things he shouldn't do. There is hardly a salesman in the country to-day but isn't doing one or two things that are injuring him. The greatest thing that bothers us all is our habits. I refer particularly to the subject of eating, drinking, and smoking too much.

"A salesman's mind should be on the *qui vive* all the time. Just like a race-horse, he should be ready to go when

the bell sounds. Now, every man knows that he is better off if he doesn't drink at all. I don't think that drinking ever benefited any man, and the same thing applies to smoking, but there are some of us that can do these things temperately and who are not much harmed by it. But if a man wants to take a drink or two, he should not do it in the day-time. A business man particularly should not take a drink until after six o'clock in the evening. We see very much less drinking in the day-time now than ten years ago, and I am very glad to see it, because, as business men, we have no right to do that thing in the middle of the business day which will in any way interfere with our efficiency for our afternoon's work. I know of nothing that will so unfit a man for business as a drink or two in the middle of the day, because at two or three o'clock in the afternoon he is lazy and heavy and unfit for work, and a salesman, above all others, if he feels he must drink, should not take a drink until after six o'clock at night. The man who will stick to this rule will have more dollars at the end of the year than the man who does not. I speak from experience, like the man who says, 'It pays to be honest, because I have tried both ways.'

"In speaking of honesty, I don't refer to it in its basest sense, because a man is nothing short of a fool nowadays who is not absolutely honest. But honesty goes further than just what a man does. Honesty means what a man thinks as well as what he does. After all, there is only one man in the world who knows whether a man is honest, and that is himself. It is both good sense and business logic that honesty in all things must be the rule of all men if they are going to succeed."

Some Legal Points Every Salesman Should Know.—

There is occasionally some question as to how far a salesman's authority extends. As a general rule, it goes only to the soliciting of orders for goods, and unless the salesman is expressly authorized the sale does not become complete till the order is accepted by his principal. He has implied power to do anything necessary to the suc-

cessful performance of his duties, or that is the general custom among buyers and sellers and the selling world generally.

Authority.—The custom must be known to the salesman's employer, otherwise the sale is not binding. For instance, if a salesman takes orders in a town where it is customary to pay for such orders directly to the salesman, he may conform to this custom provided his employer is acquainted with it. The principal or house will be bound by anything done by the salesman within the apparent scope of his authority. Although the salesman has no specific authority to do so, he may bind his principal by a contract, with a buyer, not to sell the firm's goods to any one else in the same town. And furthermore, such an agreement has been held not to be in restraint of trade. A salesman may warrant the quality of the goods which he sells.

If the nature of the work is such that he needs to hire a horse and buggy, then he is entitled to do so, but the house need not pay for the horse's board.

A salesman has power to collect money, when such power is given him either expressly or impliedly by the house, as where he has possession of the goods and delivers them.

Where a notice is printed upon a bill or invoice, that the salesman is not entitled to collect, the buyer is usually supposed to have seen it, though it largely depends on the prominence given to it. In several cases it was held that the buyer, if he did not see the notice, was grossly negligent and could offer no defense when called upon by the house for payment.

Though the salesman has power to collect accounts, and to receive money or checks payable to the house, he has no right, unless expressly authorized, to indorse checks and to collect them. The bank has been held liable in these circumstances.

Hotel Rules and Laws.—In most hotels you will see posted up on the wall somewhere a notice referring to an

innkeeper's act. In the eyes of the law all "hotels" are "inns," and the management is the innkeeper.

One of the things demanded by the law is that the hotel must supply any traveler with food and lodging. And in the definition of "inn" it should be noted that there are not included: Restaurants, saloons, apartment hotels, lodging-houses, and sleeping-cars. The management can dictate which room may be occupied, and can transfer the guest from one room to another if it wish. If every room is full, then the management are under no obligation to accept another guest, though they may oblige him by letting him sleep in the parlor or on the billiard table.

Payment in advance may be asked, and if refused, accommodation may also be refused.

A guest who neglects or refuses to pay his bill may be excluded from a hotel, and to protect himself from losses, the innkeeper may retain the guest's belongings to the extent of the hotel bill, but he can not detain or arrest the guest himself, or touch the clothes he is actually wearing.

A guest who is drunk, or filthy, or profane, or has a notably bad reputation, can be put out of the hotel. The refusal of the guest to give a name or address is no reason for failure to admit.

The hotel is responsible for a guest's suit-case or other luggage when he turns it over to a porter or bell-boy.

Where a salesman uses a sample-room, or parlor, or even his bedroom for the display of goods, and has control of the room and brings customers there, the hotel is not responsible for the goods shown there.

If the guest after paying his bill, leaves certain goods to be removed, the liability of the hotel continues for a reasonable time. But if left indefinitely to be called for, then only ordinary care need be exercised, as the hotel is under no obligation beyond conferring a favor.

If after the guest has gone, goods arrive for him, which he arranged with the management should be forwarded, reasonable care only is expected.

If the guest is injured through the negligence of an

elevator boy or a waiter or other hotel employee, the hotel is responsible, unless there was some defect which was apparent, and requiring reasonable care on the part of the guest.

Should a fire break out in the hotel, the hotel is not responsible for injuries received by a guest through failure to be warned of the fire.

A guest who has eaten food in the hotel, which through negligence is impure and deleterious, can claim against the hotel as responsible. For special liabilities, read the notice usually posted in each bedroom, detailing circumstances in which innkeepers are protected by statute from liability.

(b) Making the Sale

Granted that our traveling salesman has all the mental and physical qualities necessary for success—plus a carefully selected line of samples—the first thing in the actual selling campaign is to find the customer. There are several methods of doing this. The path may have been smoothed for him by direct advertising, and his visit will be the clincher in a series of follow-ups. If the goods he is selling are for general use then the stores in the town will loom large as prospective retailers. In some cases arrangements may be made whereby one store in each town has the exclusive right of selling the goods. But in any case, the salesman should make for the best stores first.

Acquiring Information.—The facts concerning the stores, their managers, financial condition, etc., are the groundwork on which the salesman builds. This information will all be of importance in assisting him to approach the customer. It is all valuable, though some salesmen rely on one or two facts as to the characteristics of the customer, depending on their intuitive reading of character to do the rest; while others prefer to know nothing. It is worth while, however, to take the precautionary measure of ascertaining the financial rating of a customer before granting credit to any extent.

The information concerning conditions of local trade may be derived from people of the town, such as hotel-keepers, though the old method of extracting knowledge from the hotel clerk is not so much in vogue as it was; but there are always people willing to gossip on the habits of their neighbors. It may not be reliable, but at least it has the imprint of public opinion and is not to be despised. As to financial rating of the prospective customer the salesman may be informed from commercial reports. An hour spent with the local paper, which may be obtained a day or two before visiting the town of issue, is not wasted; while an examination of the local directory, if any, may disclose some more facts. All information should be carefully noted for personal use, and occasionally for the use of the house. Friendly conversation with salesmen handling different goods but making the same calls may result in an interchange of useful tips.

Getting in Touch with the Customer.—It is sometimes a matter of difficulty to get into the presence of a customer. The large merchant finds his time is occupied by a procession of salesmen, and is indisposed to see anybody whom he does not already know. This prejudice may be somewhat lessened if he has that morning, or the previous day, received an interesting letter mentioning the proposed call.

It must not be forgotten that selling is the pitting of wits against wits. The salesman wishes to sell at the highest price; the customer to buy at the lowest. The customer often attempts to browbeat his caller into submission, and his first move is to keep him waiting, either outside or in his presence. The commonest form is that where the caller is ushered into the office only to find his customer busily writing or reading. Some time passes during which a feeling of uneasiness steals through the salesman, until the moment when the customer suddenly turns round and snaps out a sharp "Well"? This is calculated to upset the inexperienced salesman and banish every convincing argument he ever had. The experi-

enced salesman recognizes in this a sign of timidity, a fear in the heart of the customer that he will be persuaded into something against which he has preconceived a distrust, or else that he is preoccupied with some piece of business.

In the stores of country towns and villages it is much simpler. The proprietor is more accessible, while in the smaller stores the salesman is welcomed as bringing the gossip of the town, or some news of a friend in the next town, or some business information, and it is sometimes difficult for him to get away.

An Illustrative Anecdote.—The following anecdote, published in several trade papers, illustrates the value of enlisting the customer's curiosity or interest. There was a salesman who wrote to a member of a publishing firm: "Dear Mr. Jones: There is a bundle of \$5,000 worth of gold bonds belonging to you and I can tell you how to get them if you will give me an interview, and it won't cost you anything for the interview or bonds. They belong to you and you are welcome to them."

The member thus addressed concluded he was dealing with a crank or a schemer. But his curiosity was aroused and he asked the salesman to call. The latter lost no time in doing so.

"Mr. Jones," said the salesman, "if you will give me just four minutes by the clock you'll get your gold bonds. Do you agree?"

"Go ahead," replied Jones.

"Here are samples of the paper, Mr. Jones, that you use in your publications. Here are samples used by your several competitors. Your paper is a little better quality, but you can just as well make it seventy pounds instead of seventy-five and nobody can tell the difference, quality being equal. Now you use sixty reams a month. I don't know what you pay for it, but unless the figures are closer than I think they are, I can probably quote one-quarter of a cent a pound less, for we sell from the mill direct. Without any saving in the cost of the paper, you save in this slight alteration of five pounds to the ream

3,600 pounds in the course of the year, which at five cents a pound will be \$180."

"But where do the gold bonds come in?"

"I will show you. What do you pay at present for your paper?"

By this time the publisher was interested and he called the bookkeeper and discovered that he paid five and a half cents a pound.

"Pretty close figures," said the salesman, "but I will make it five and an eighth. That saves you three-eighths of a cent on each pound. At present your paper is costing you—seventy-five pounds to the ream, sixty reams a month, 720 reams a year, five and a half cents—\$2,970 a year. I guarantee you as good a quality paper and give you time to investigate, if necessary will send sample sheets to your printer, and I will let you have it at five and one-eighth cents, which will make a total cost of \$2,683 for the year."

"But what about those gold bonds?"

"I am supplying you paper as good by chemical analysis, and by test of your printer, at a weight so little different that you can not detect the variation, and I am saving you \$287 a year. That figures out as the interest at 5% on \$5,740. Write out your gold bonds and put them in the safe at 5%. This saving pays you more than that interest."

The Personal Equation.—Says Mr. James H. Collins in "The Saturday Evening Post":

"The personal equation, built on understanding of the other fellow, sympathy with him, sincerity and self-control, marks the highest kind of selling. But tactics are its necessary framework. Moreover, where one salesman has grown into real personality, there are probably a hundred others who sell by tactics alone.

"All the strategy of the salesman's approach lies in the problem of interesting a customer surely and lastingly.

"Thousands of near-salesmen canvass the world of business every day and leave never a trace of themselves, even when they get a hearing. Entering a man's office,

they say their name is Smith, and tell him they have called to see if they can do anything for him—though they have really come to see if he can do anything for *them*. The man says he thinks of nothing at present, and they vanish like obedient ghosts. The man wouldn't know them if he met them on the street five minutes later, because they look just like Brown and Jones.

"But suddenly a real salesman enters, and begins to tell the man what he is going to do for *him*, and the man understands immediately and listens, even if he is hostile.

"The Smith type of salesman is afraid to offend. He does not understand that the way to approach is to approach, even if he has to be a bit rough about it.

"One morning a real salesman sat in an anteroom with a dozen near-salesmen while the buyer for a large company stood outside his private office, receiving man after man. The interviews were brief. Smith told his name, and the buyer assured him there was nothing that morning. If Smith added his address, the buyer gently faced him about and gave him a shove toward the door. The real salesman sat waiting until all his competitors should be sent off, because he wanted that particular buyer all to himself.

"When his turn came the buyer was a bit tired and cross. Yielding to temper, he tore the salesman's card into bits and turned without a word to enter his office. The salesman reached over the railing to haul his man back and get an apology for this discourtesy, and got hold of his coat tail, gave it a firm tug, and pulled it off. That made the buyer even more angry for a moment. He turned, came back to the railing, and glared. But in an instant he saw that this man's name was something more than Smith, and apologized handsomely. Then the salesman handed back his coat tail, and apologized, too, and this curious approach led to friendship and a great deal of future business. It was odd, and it was also real.

"In another case a salesman on the staff of a public service company was sent to see a merchant who had written asking for information about a certain type of service. That implied a ready reception for the seller.

But arriving at the inquirer's office he found him angrily scolding a salesman from a rival company. The merchant was not only angry at this rival company, but heatedly denounced all public service corporations, and damned salesmen in general.

"That seemed to promise a hostile reception.

"The salesman who had just come in saved the day by making a waiting approach. First, he waited till the merchant had blown off all his steam and sent his competitor away. Then he waited for the customer to do the talking.

"'What can I do for you, young man?' snapped the merchant.

"'Why, I'm here to see what our company can do for you,' said the salesman, tendering the merchant's own letter. 'Just tell me what you want done.'

"All the burden of explanation was thus put on the customer. He got interested, forgot his anger, and eventually gave an order for service running into tidy money.

"Many salesmen find their selling ability stimulated by the very difficulty of approach. They like the hard customers, and fail with the easy ones."

Saying the Right Thing.—After the prospective customer's attention is enlisted, the great problem is saying the right thing. The time, the place, and the man are all there. Now, how about the message. A certain amount of preparation is obviously necessary, in order to state one's case clearly, concisely and convincingly. The salesman should have memorized the points he wishes to make; as he progresses he can alter, amend and polish up his scheme, and every call will show the weakness to be eliminated or strong features to be played up. Discrimination should be exercised in the use of those points. They are not applicable to every customer, and the information previously gained as to the idiosyncrasies of his prospective customer will decide what arguments should be employed.

It is a well-known fact that house-to-house canvassers

prepare their speeches carefully in advance. In fact, the house usually prepares these canvasses for them and requires them to memorize all such material carefully, as it is supposed to present the pertinent facts clearly, succinctly, and interestingly.

The game of selling has been compared to chess. Move must be met with countermove. Consequently, the salesman having moved into the office or store, the customer makes his countermove. It may be expressed by him as "Take a seat," or "I've no time to-day. Look in again some other time," or it may even be "Get out!" In any event the salesman must have an answer ready. He must *always* have an answer ready to meet questions that are sure to be fired at him.

Demonstrating the Goods.—Mr. C. L. Chamberlin, in a recent article in the "Bookkeeper," says:

"The successful salesman never tries to present all the good points found in his goods at once. He describes them thoroughly, but briefly. Whenever he secures a new point of view from the merchant, he at once presents his proposition from the new point of leverage.

"He must show not only that his goods are strongly and neatly made, but he must show why they are better than others on the market. The merchant is already buying the same or similar articles elsewhere, and he must be shown why it is to his interest to change.

"It is never well to criticize competing goods too severely. If the merchant has been buying a rival article he has doubtless learned its weak points without the necessity of the salesman's telling him. Showing the new goods in their favorable light, mentioning their strong points—strong where the competitor's are weak—will always accomplish more than merely 'running down' the rival goods. The intelligence of the merchant may be trusted to make the necessary comparisons, whether he so expresses himself or not. He may not at once admit the superiority of the new goods, but, if it is really there, he has seen it and thinks all the more of the salesman for not criticizing his competitors.

"By showing what is required in goods of the nature offered, or by creating a standard of grade which the merchant must accept, is one of the best methods of beginning the sales talk. When the salesman and merchant have agreed upon the standard to be attained by goods of the class offered, the salesman should, one by one, lay down the good points of his goods, clinching every statement by demonstration with the goods themselves if possible, or by arguments which the merchant will find hard to deny, after having accepted the premise or standard of excellence first laid down. When the list of points of excellence have been covered, the salesman will have, so to speak, 'standardized' his goods in a manner which the merchant will find all but unanswerable. Just what course the merchant will take depends largely upon individual temperament. Some will admit the truth of the statements and give an order. Others will admit the apparent truth of the statements, but express doubt as to their proving so under actual trial. To all such a liberal offer on 'first orders' will usually appeal and cause them to order. Others may admit the truth and still not order, giving no reason at all; and worst of all to reach and convince are those who make no reply at all—those who neither admit nor deny. With these it must be a battle of wits until the merchant makes some statement on which the salesman can rest his arguments. This class of people is the most exasperating for the salesman, for one can never tell when his hottest arguments are taking effect, or when they fall back leaving no impression."

Refusing a Sale.—There are moments in the career of the salesman when it is his duty to refuse a sale. It may mean loss of commission, but it will be to the benefit of the house and probably to himself later.

The story is told of a good special man who engaged as sales engineer with a company selling a patented system of reenforcing for concrete, his duty being to take plans that came in, figure out the amount of reenforcing required, and effect a sale.

A short time after he had taken the position, and be-

fore he had an opportunity to show his capabilities, blue prints came in for a large warehouse in an Iowa town. He went over them carefully and recommended that the company decline to sell its system for the building.

It was a bad start for a man whose duty was to promote sales; besides, the company was badly in need of business. But the manager had faith in the engineer, and let the order go to a rival concern. And the outcome justified this course; for the design of the building was so faulty that it collapsed soon after it was erected. This catastrophe brought credit rather than discredit to the salesman who had the foresight to anticipate it, and also to the company who had the courage to refuse the order.

Clinching the Sale.—One of the last points, but one of the most important, is to know how to close the sale. Nothing is more pathetic than to see an energetic salesman who has exhausted all his eloquence, shown all his goods, overcome all the other fellow's objections—and yet has not clinched the order. It takes a man with true psychological instinct to know what to do next. Has he said too little? Has he said too much? What is the hitch? The born salesman is always ready with something which may lead him to the close. In the proper demonstration he has proved his points like a proposition in Euclid, but there is often a pause before driving home the idea that he is there for the purpose of getting an order and has no intention of going away till he has it. In the case of a salesman who has had experience with all sorts of people, the close arrives quite naturally at the end of the demonstration; it is its natural sequence. Even if he doesn't sell to every man whose ear he endeavors to hold, he keeps up the standard of his salesmanship.

When the customer expresses himself as prepared to buy, and may say to what extent, the salesman knows that it is time to leave off arguments, and devote himself to booking the order and arranging the terms of payment.

Saying Good-by Gracefully.—When the sale is made, the salesman should take his leave as soon as possible

without appearing to be abrupt. Once the order is in hand there is no possible object in praising the goods. It may even hurt the salesman. He should make for the door while the customer is still showing a wish to talk, rather than overstay his welcome. The tactful man always knows the proper moment to leave. If it is a first call, the salesman may wait a minute or two, if he sees a desire on the part of the customer to learn something of his house and its methods, or of trade conditions in general, and he should answer all inquiries to the best of his ability. Later on, when a few calls have been made, an inquiry from salesman to customer as to some hobby or sport in which the customer is interested may not be out of place and may create a feeling of friendly intercourse. A man does not like to talk business all the time. He may enjoy hearing a good story, on the heels of which the salesman can say good-by gracefully and depart in a ray of sunshine. But these are only special instances, not general rules. The experienced salesman who knows how to reach and land his man, will know instinctively how and when to say good-by.

(c) Advertising and the Salesman

Advertising makes but one appeal, it has been said, to the reader, while the personal salesman can vary and modify or enforce his appeal till he sees that he is winning his customer. The advertiser appeals to a class not to an individual, to men not to a man. The salesman concentrates his energies upon one man and derives the benefit of his personal contact.

The two varieties of salesmanship are differentiated by the main fact of the direct personal contact working for the advantage of the personal salesman, and the absence of that contact, in the advertiser's work; yet along certain lines of effort and study, both salesman and advertiser must be fellows in the struggle.

Harmony Necessary.—When the finished product of the factory is placed in the storeroom ready for shipping,

it is then placed under the care of the salesman and advertiser. The factory has washed its hands of the finished goods and the sales department is now in charge; and if the product is to be disposed of, the sales department must work in harmony with the advertising. As a matter of fact they are naturally one, though many large firms spending great sums in advertising still look upon them as independent factors.

Mr. George French, in "Advertising and Selling," says of the connection existing between the two activities of salesmanship:

"The same problems confront the salesman as are the motives for all the work of the advertiser. They both have to consider the man who is to buy, and study how to get his favorable attention, and stimulate his action. The salesman has the very great advantage of personal contact, and is therefore able to resort to many expedients that are denied to the advertiser who is obliged to arrange and condense his whole plea into one message, and to commit that message to print or writing. The advertiser has one of the most intimate and delicate of personal messages to deliver, but is denied personal contact. The salesman has a no less delicate and difficult task, but he has the advantage of personal contact, and is able to adjust his method to accord with the disposition of the buyer, as it is manifested during an interview. This gives him a very great advantage over the advertiser, and enables him to make a much better record of sales. The advertiser needs to know all the habitual workings of the general mind, the average mind. The salesman needs to know the same thing, and in addition be able to take immediate advantage of such variations as are constantly evidenced by individuals. The advertiser can not profit by the variations, while they may in many cases be a chief cause of the success of the salesman. The salesman, it may be said, must be a clever observer of men, while the advertiser must be a good student of human nature. The salesman must be the more clever; the advertiser should be the more cultivated. One must have the faculty of taking instant advantage of opportunity, while the other

strives to create the opportunity that he wishes the reader of his advertisements to avail himself of. One must endeavor to adjust his goods to the discovered needs and inclinations of the customer, as a personal interview reveals those inclinations and needs; the other must strive to modify the inclinations and needs of the customer to bring them into harmony with the goods he is advertising. One is the working of one personality upon another, through personal touch; the other is the working of one mind upon another mind, without personal touch, and without opportunity for modification.

"What is necessary is that the chief salesman and the advertiser shall realize that both are attempting to do the same thing, but by the application of different methods. Both are working to sell goods. That is their platform for mutual labors. The advertiser can not sell goods by the methods of the salesman, nor can the salesman advertise effectively. But both obtain the same results—both sell goods. That they both sell goods, and because it is the prime object of each to sell goods, is the reason for their close cooperation, the reason why they must both work for the same ends and upon the same general platform. The association of the advertiser and the salesman is more intimate than is usually to be secured through mere cooperation of independent heads of departments. It is only big men who can work together heartily for the one object, unless they have a common commander, or unless one is in authority. Therefore it is better that the advertising and sales department be one, so far as control and general policy are concerned. That this is a wise policy is being recognized by a few wise men."

Bond of Connection.—A bond of connection between salesman and advertiser is that formed by the goods. An intimate knowledge of the goods, their manufacture, quality, and distribution is required of both. Add to this a close critical consideration of the prospective buyers, and the methods of securing them, and it is seen that the method of attack, except in the final struggle,

is the same. The appeal in both cases is direct and concentrated.

It must be remembered in both cases that the buying people are a fixed element, not subject to change. If there is any changing to be done, it must be in the nature of the goods themselves or in the method. The salesman must know what he is trying to sell, and the more he knows about his goods and their process of manufacture the more of a leverage he has in selling. There are firms who to this day demand nothing more of their salesman than a gentlemanly address and a pleasant way of inquiring "Is there anything in our line needed to-day?" They use the salesman only as a moving reminder that they are still in business and at the old place, and that while they would like to have a firm's custom it is rather beneath them to beg for it. This is a theory which tends to breed a curious branch of salesmanship, and a still more peculiar race of salesmen. It is the man who sells, or devotes his energies to attempted selling, who is a salesman, and to him this knowledge of the goods is the primary factor in success.

So, too, with the advertiser. It is even more important for him, if possible, that he should know every peculiarity of the process of manufacture, which differentiates his wares from those of others, that he should know everything about them that is to be known. It is the advertisement backed with knowledge which tells. Others may attract, but this convinces. He does not declare that he is creating a need, he persuades that he is only ready to satisfy a need which has been in existence all along.

How the Salesman is Helped by the Advertiser.—The manufacturer, or indeed any house with something to sell and salesmen to help sell it, may considerably increase sales by constantly keeping in touch with customers through some reminder, literature, or announcements of new goods or special bargains. Once the salesman realizes that his house is backing him to the utmost, decreasing the difficulty of his work, and making his

commissions leap up beyond the old scale, he will be fired to further effort. The salesman covers a large territory, and while he is in one section, a regular succession of good advertising matter will be preparing customers for his forthcoming call in the next section. It may even induce instant ordering from the head office, but at any rate it will make many a person delay the order that might have gone to some one else until the salesman arrives. The house is really brought into prominence, and an assurance is given the customer that his order will meet with quite as much consideration from the house as from the salesman, while the house will have the satisfaction of knowing that the customer is really doing business because of the house and not as a personal favor to the salesman.

Miss Helen Shaw, author of "Profitable Advertising," says: "Any business man who stands in terror of his salesmen because they 'sell the goods' might do well to wake up to the fact that it is his own fault if salesmen, when they leave him, can carry an appreciable amount of business to a competitor. A salesman may hold trade by courtesy and favors, but an intelligent sales manager and a wide-awake advertising department can create such a favorable impression for the house that customers in the remotest corners of the earth may soon be made to feel personally acquainted with the concern—can be made to feel that it is the particular business of somebody to sit at a desk in the main office and attend to their individual needs. This is accomplished not only by prompt and careful attention to inquiries and orders and by systematically following them up, but also by frequently sending special literature and an occasional letter or mailing card. When the individuality of a concern has become impressed upon a customer who receives good treatment, the call of a competitor's salesman will seldom carry away the order, especially if a neat little reminder happened to drop out of the morning's mail. And these same ties of personal touch with the home office are what will hold business when the best salesmen go over to a competitor.

"Business should be built for the future, not for the moment. The success of a house should not rest upon the shoulders of one man, or of any number of men. A proper organization lives and grows beyond the coming and going of men.

"The loyal salesman glories in the permanent organization of his house. He is one with the firm—may become a part of it some day; he is working for the firm, not for himself. Both for its effectiveness in establishing intimacy between the house and his customers, and for its immeasurable help in keeping business moving throughout his territory while he travels from point to point, and because, as he goes, he can actually see the good work go on, the traveling salesman appreciates, perhaps more than any one else, the importance of direct methods in advertising and of systematically 'keeping at it.' It not only sells goods when he can not be on the spot but the little pamphlets and other special missives send the arguments on in advance, and a man will often read when he will not listen. The result is that the salesman has fewer obstacles to overcome, has saved many an argument, makes more sales and makes them easier, all because of the kindly aid of systematic advertising—direct."

(d) The House and Its Salesmen

No sales manager should set an impossible limit for his salesman to reach. There are many details that should be taken into consideration before setting any mark. For instance, the sales manager must certainly study the condition of his whole working field, broadly as well as in regard to local features; the financial state of the country, which may be upset so far as he is concerned by the failure of crops or some such thing; the salesman's own ability and length of experience; and the character, nationality, financial rating, etc., of his customers. All of these are factors working for or against the salesman. Once the sales manager has all this at his finger ends or in reference files easy of access, and has realized what it means, he can set a certain standard

which will not present unsurmountable difficulties. No man likes to think, and it is so easy to think it, that he is being worked to his utmost, and that he must exert every pound of man power in him to serve his firm, with the fear of dismissal at his back; anything like this is likely to breed the wrong spirit, discontent, and the desire of change. If the sales manager realizes, however, that the salesman is eager to make a good showing in the race, without the need of spur and whip, then business will go smoothly.

The Spur of Competition.—In selling, competition plays a leading part. Not only does the sales manager himself pull with his salesmen against the sales manager and salesmen of another house, but he pits his own salesmen against each other in a spirit of friendly rivalry. This serves especially to enliven the man who sells at a distance, as too often his share in building up the prosperity of his house seems too small to be counted. He is interested in its success, to be sure, but only inasmuch as it insures the stability of his position and the salary he may demand.

The question of whether his house will rate him a hundred thousand dollars more than it did last year stirs him but vaguely. If, however, the salesman in the next territory shows sales which make his own look like failure, then there is a spirit of emulation created. It is a point of honor that he should make a better showing, not in jealous rivalry, or by the aid of practises not commending themselves to the ordinary man, for a house divided against itself is likely to topple over, but in fair and open competition. And it must be competition in which all shall have a chance, so that there will be no feeling of hopeless striving against bigger odds than one's capacity. The best in each man must be extracted, and it can not be done by setting weak and strong in the one sphere and on the one level.

The live question of competition as it exists between house and house will be found treated under its own head in the next chapter.

Evening up the Salesman's Chance.—The sales manager will arrange his distribution of territory in such a way that a notably difficult territory to sell goods in will be covered by an experienced salesman, and a new-comer to selling will be allotted to one in which salesmen are welcomed.

A basis may be arrived at by dividing first the country to be covered into:

1. Territories.
2. Towns in each territory.
3. Population in each town.

Then an estimate should be made, based on the number of towns worked and unworked, actual customers and prospective customers, and the amount of business being done by customers individually. By this means the amount of business actually being done, also that which may be calculated on as future trade, can be apportioned in various ways. The whole estimate furnishes a standard for the salesman. At the same time the sales manager himself has a mark of business to keep up to—that furnished by an aggregate of all the territories.

The salesman, on being assigned to his territory, may be encouraged to increase the sales by a certain percentage; with rewards for reduction of selling cost, etc.; small number of credits, complaints and orders canceled or returned, bad debts, etc.

Keeping in Touch with the Salesman.—Every business house desirous of knowing the exact location of its salesmen employs the *tack map system*, of which a full description is given under *Office System* (p. 229). By this means the sales manager can keep track of the movements of every traveling agent or salesman, the times of his visit, number of inquiries and sales, success or non-success, and any special facts.

In order to keep a finger on the pulse of business, as it beats day by day, week by week, and month by month, it is usual for the house to receive daily reports from its salesmen, including sales, traveling expenses, etc.

Mr. Robert H. Ingersoll recently described the system

he employs in dealing with his salesmen. The Ingersoll trade is chiefly with the jobber, the retailer, and those people who use watches as premium gifts. It is therefore not so large in number, but still sums well into five figures, disposing of something like a couple of million watches yearly. To handle this problem his company has apportioned the United States into two divisions, each under a manager, the western having five, and the eastern ten salesmen to assist him. Each salesman has his own given territory to which he is confined. A system of reports keeping the sales manager in touch with the salesmen is devised as follows, Mr. Ingersoll says:

"Each salesman sends a daily report of his work to his division manager. On these reports are filed merely the orders 'entered.' These reports are not considered in the final estimate of the salesman's value, as many 'entered' orders are not filled. So these daily reports are later verified or corrected by the salesman's weekly reports. On these daily and weekly reports the division manager bases his weekly statement to the company.

"These reports from the two division managers are brought up for consideration every Wednesday morning. The records from each territory are compared with the records of the same territory for the corresponding week of the year before. Any marked discrepancy results in letters for further information or with special instructions. In some cases a special salesman may be sent to find out the causes. In this way a careful watch is kept on the market, and any decline is promptly checked.

"A monthly, quarterly, and annual report is also sent by each manager to the company. On these monthly reports the 'entered' orders are discarded and only the 'shipped' orders are noted.

"Each of these reports shows corrections and condensations of the preceding reports. For instance, the manager's monthly report indicates on a single sheet the name and record of each salesman for the period indicated, showing the amount of business received from him, the amount of his business which the company has 'passed,' the amount which has actually been shipped, together

with the percentage of his expenses to the business he has transacted.

"To keep in still closer touch with the salesman, an individual card record is kept to show in detail the record of each year. The annual record cards are then filed together for reference."

The Troubled Question of Expenses.—The moment in which one employs a salesman signalizes the appearance of the traveling expense account. The salesman will depart on his travels, and at periodic intervals the house will be favored with accounts for money spent by the salesman in his pursuit of business. Occasionally doubts arise in the mind of the business man as to whether or not he might put his money to better use, but if business orders accompany the accounts no fault is found. When you come to think of it, much depends on the honesty of the salesmen, and as a class they are honest. Still there are moments in which, while recognizing the need of spending money to induce business, the head of the house has a silent desire that he might be there to direct the spending of that expense money, or at least say a few well-chosen words.

Consider that the salesman is out of reach, that money may be spent foolishly and rashly without bringing adequate return, that the use of the money may be such as you would strongly disapprove of, that you are not in control of your own money, and that sometimes you would rather it were a bad debt than an everlasting drain on your money. Consider all that, and then reflect calmly on the purpose of the expense account. Your servant is doing your business. It is right that you should bear the cost. It is as right that your salesman should not take advantage of you, and that the account he renders should be exactly what it purports to be, a note of outlays on behalf of the house.

What may be fitly included in those outlays? There are many opinions on the point, but the following are granted by the majority as coming under the head of legitimate expense:—

Transportation: which covers all traveling expenses by any method whatever, and all baggage charges.

Living expenses: Hotel bills and all payments for food.

Laundry: A necessary item if the salesman is to appear neat.

Entertainment: Meals, drinks, cigars, theater tickets—which are usually made up for by orders.

Full details, as far as possible, should be given in the daily reports. They should then be carefully scrutinized, and a gentle hint as to the reduction of certain items if they appear to be increasing without proportionate return, may be given.

The Encouragement of the House Organ.—Many successful houses publish a house organ devoted entirely to their own interests and those of their salesmen. The spirit is wholly commendable as showing interest in the doings of the salesmen and as encouraging interest in the broader doings of the house on the part of distant salesmen and agents. Also every salesman ought to be interested in knowing what his fellow is doing, how his sales are coming along, and what methods of selling he is finding to be best suitable.

The house organ should not be technical. In the case of a firm whose factories are in a continual state of developing new machines, a description of anything new should be given with full description for selling points. Extensions and changes should be noted. A note as to the amount of business done, increase of sales, the carrying off of a big order from a competitive firm, or anything increasing the prosperity of the house is always of interest, as showing the salesman that while he is doing his part he is contributing in a measure to the good fortunes of the house.

The sales manager usually writes a letter of personal advice, touching on topics of vital interest to the salesman, pointing out selling pointers, ways of overcoming difficulties, and generally encouraging his men. In it he also outlines the selling policy of the house, and notes any intended changes. It should, however, be written as

pithily, convincingly, and brightly as possible, and in a spirit of optimism and hope.

Salesmen should always be encouraged to write for it and to report in a lively way the incidents of their travels and troubles. Their successes will also be chronicled, and the young salesman will learn much from reading a salesman's story of the methods he employed to pull off his record order, or how he fell down; for both are interesting as showing pitfalls of danger and loopholes of escape. There are many mirth-provoking occurrences in the career of a salesman and a humor page should not be hard to fill. Some houses go so far as to print a daily sheet, containing daily records of sales, extracts from letters of those on the road, a pithy encouragement or motto, which is mailed to all members of the selling organization wherever they may be.

This seems perhaps to be the better method of the two, for a house organ must necessarily be prepared several weeks beforehand, whereas the daily sheet, without fine cover or illustrations, can be rushed off from writer to salesman, almost as soon as written. It is the realization that the news reported is what happened yesterday or the day before, that conditions are the same, and that the report of a big order may be duplicated by any of the salesmen reading the sheet, which keeps alive the heart of the salesman, who is sometimes meeting with bad luck. At the same time, a publication such as this creates the feeling among salesmen that they belong to a brotherhood. It makes them acquainted with each other, and inspires a feeling that they are a part of an active working whole, and that they are vital to the working of the machinery of business. It is this idea of cooperation, built on interest and enthusiasm, which sustains the fabric of any selling enterprise.

Personal Letters.—Some houses are not merely content to send out printed matter, but make a point of personal letters at intervals, not regularly, but just when the sales manager feels in the mood. The salesman outside of his daily reports should also write the sales man-

ager an occasional friendly letter, and regard him as a person to whom he can turn for advice. Anything which tends to increase friendliness between house and employees is good, if discipline, or at least such discipline as is necessary, is not lost sight of.

A personal letter from a sales manager praising a good bit of business is an encouragement, just as the foolish "knocking" letter sometimes is the death-blow to enthusiasm. The salesman who has had a stroke of bad luck, and who is feeling that he might by some superhuman effort have brought off the deal, and has forgotten a success of the week before, is in no fit frame of mind to get a letter full of sarcasm. Still it is often done and works as much mischief as a month of "no sales." Perhaps as bad an inspirational factor is a wishy-washy collection of generalities on salesmanship sent to an experienced man. It is for him the birth of distrust in the capacity of his sales manager, and he may begin to get "cold feet" as to the permanency of his house.

The best letter is that which breathes encouragement, inspiration and enthusiasm. Praise should crowd out reprimand. Past failures should never be brought to light again, and the opportunity of the future should be well in front. It should bristle with helpful hints and good advice, but without the schoolmaster and pupil feeling. Above all, let the sales manager remember that his salesman is receiving constant discouragement, is tossed about from door to door, buffeted and knocked by the people to whom he is endeavoring to sell all day. It is not the part of his house to repeat the dose, but rather to heal his sore head and encourage him with the remedy of hope.

Training the Salesman.—As has been emphasized several times already the salesman is a manufactured product. Several concerns devote a considerable part of their energies to the training of salesmen, though formal instruction in salesmanship is still regarded by the business world, as a whole, as something ridiculous. This heaven-

sent gift of persuasive magnetism is a thing of birth not of cultivation, they say. Does the great poet need anything more than a sheet of paper and a pencil and the power to spell? As a matter of fact the great poet does. And the salesman needs salesmanship drill night and day till he begins to feel he is a salesman. There is a prevalent idea which lingers in the mind of the business man that any one can be cast into the troubled sea of competition loaded with a gripsack, and that if he has it in him he will land on the shores of prosperity with a bunch of orders. It is as if the best way to teach a boy to swim is to blindfold him, lead him to the edge of a pier and push him in. If he does not learn to swim in that painful moment, then he will never have energy or inclination enough to learn. But, unfortunately, when the boy is pulled out he may ever after be mortally afraid of the water. The same applies to a salesman. It is useless to take a new man, without experience, and thrust him into a salesman's job. If he has no training, he is likely to fail, simply because of inexperience; and the failure might be a "star" salesman in the rough, just wanting careful development and polishing.

Given a man with a certain natural ability, then he may be trained. True, there are many things which he can only learn by actually rubbing shoulders with the buying world, but his training will prepare him, and the knowledge of the principles underlying salesmanship will fit him to face many of the problems which must inevitably confront him.

One of the most noted training organizations, as Mr. Hugh Chalmers has pointed out, is that of the National Cash Register Company. We have seen how a knowledge of the goods is one of the important factors in a salesman's success. In this case the salesman has to know the mechanical properties and good points of over three hundred different types of machines. This in itself is a task requiring considerable earnest application. When it is considered that the company supplies machines to fit every kind of business, it will also be seen that a knowledge of the requirements of those businesses ac-

companies knowledge of the mechanical qualities of the goods. It stands to reason that the ordinary salesman confronted with all this necessary information, which, needless to say, he did not possess, would commit many blunders. He tried to sell to wrong people; he sometimes did, and then complaints poured in that the machines were unsatisfactory. They were, in so far that they were in the wrong place. A machine suitable for a drug store might have found a resting place in a restaurant. So it was that the ordinary salesman became a back number and it was resolved to catch salesmen when young and train them to be "salesmen extraordinary." A school for salesmen was formed, and to-day each single salesman, and there are now over 800, is qualified to sell any one of the machines. If there is a business for which no machine seems to be entirely suitable, then the factory sets to work to invent one, and the instant it is tested and found all it ought to be it is added to the school curriculum.

The sales manager has a different problem to handle from any other. Salesmen are notably the most difficult people to deal with in a temperamental way, with one exception. A well-known sales manager who is friendly with a theatrical producer dined with him one night, and for an hour dinned into his ears the tale of the skill and delicacy required in dealing with his salesmen.

"Hum," said the theatrical producer after it was all over. "Doing anything to-morrow? Of course you are, but just come round to the theater about eleven. I want to show you something."

The sales manager went round next morning and was stuck into a stall to watch a rehearsal. His friend, the producer, was working on the stage with a heavy cast. As the producer passed through the gamut of exhortation, command, and wheedling, executing the most difficult moves in tact and diplomacy, with an almost super-human energy and insight, the sales manager realized that the actor perhaps was more temperamental than the salesman. However, this is only an interlude, and it must not be forgotten that the salesmen are not immediately

under the eye of the manager but scattered far and wide over the country and laboring under a variety of conditions.

In the company we are quoting, the salesman is always a student. He is never too old to learn, and he only graduates for good from the school when he leaves the service of the company. Schools of training are distributed here and there over the territory covered by the company.

Stage One of Training.—The first course given to the new salesman, whether or not he has had experience, is one of six weeks, divided as follows:

Two weeks.—Attendance at a class, with his fellows who have just joined, in which he is taught to clearly describe the various makes of machines and to demonstrate their operation. Methods of approaching, interesting, and convincing a customer; daily examination. Then a written examination, which, if he passes, takes him to—

Four weeks—during which he accompanies and watches an instructor making actual sales; tries himself and is shown his errors; is gradually allowed to go out by himself, and is encouraged, advised, and educated by further advanced salesmen, and still attends office for a part of the day to receive instructions or to gain any hints.

Stage Two.—At the end of his six weeks the salesman is either proved of no possible training value and his services are dispensed with, or, if all has gone well, he is made assistant to a sales agent. The sales agent's commission is on all sales within the territory assigned to him. It is therefore to his interest to increase the sales of the salesmen under him, whom he pays himself, and he can only do so by taking a personal interest in their further efficiency. He himself is an experienced salesman, and the young assistant receives advice, correction, and help on every occasion and is assisted in his difficulties. A few months pass, and he comes to:

Stage Three.—The salesman now returns to the head office or factory and is given an advanced course of schooling in salesmanship. He is taught more about the mechanics of his goods and their adaptability to certain business systems. But principally he is drilled in the thousand and one foolish objections to the use of the goods and is supplied with answers to them, effective and true; also, to increase the pulling power of his sales-talk, he is enriched with a wealth of illustrations, logically connected with his selling, and convincing. Everything is done to increase his personal selling power and equip him with arguments which are not merely theoretical, but which have been proved over and over again to have an influence in selling. There is no question which may crop up that he is not coached and trained to answer. The human interest is never obscured by any subtlety or ingenious perversion of truth. Daily demonstrations of sales are given by two experienced salesmen in which the whole drama of a sale is enacted with all its varying stages of attack and defense. Lectures by officials and intercourse with company officers and department heads all contribute to the salesman's education, and enthusiasm is roused as much as possible.

The salesman is made to feel that he is an integral part of the company, and his every-day deed is a matter of the kindest concern to his superiors and fellows. At the end of the session of six weeks examinations are held and prizes and diplomas given. Then the salesman once more returns to his post, or if worthy stands in line for promotion.

Expert vs. Amateur Methods.—Mr. Worthington C. Holman says: "A vast number of sales managers use no more science in developing and coaching their men than the captain of a grammar-school football team shows in directing his players. Watch such a lad at work. He confines his activities to three functions:

- "1. He picks his players and assigns them positions.
- "2. He exhorts them with frantic shouts to 'play hard.'
- "3. He scolds the lads that fail to play to please him,

and 'fires' them from the team, replacing them with others equally green and unsatisfactory.

"Compare his crude efforts with the wonderful coaching system of a Harvard or Yale or Michigan football eleven.

"Here is a lesson for sales managers who want to build up a strong selling force. We may not approve of college football, but we must admire the effectiveness of its coaching systems.

"Think of the 'higher education' in football which these ambitious players receive; the systematic instruction that is given them in the early part of the season; the individual weaknesses that are overcome by training; the scientific ground-gaining plays that are taught to all, the regular drill, drill, drill the players go through, the encouragement and warning, the impartial praise and rebuke which is bestowed upon them according to their deserts; the inspiration to achievement which they take in with every breath! Is it any wonder that the green men become finished players? Is it any wonder that they develop team work? Is it any wonder that they grow into a marvelous living organism, a piece of vital-inspired machinery which plows through untrained elevens, though composed of giants, as if they were made of paper?

"Do sales managers use such science in developing their teams of salesmen? Some do. And their systems and services are worth hundreds of thousands of dollars to their companies. But a vast number of them do not bother with these things. Like the grammar-school captain, many a manager confines his activities to three functions:

"1. He chooses his men and assigns them territories, remarking in substance to each, 'We have handed you a sample case and a catalogue. That ends our responsibility. The rest is up to you. Look over the samples and study the catalogue and so find out what you are selling. Keep down your expense account and send in lots of orders. Remember everything is up to you. We shall keep careful tabs on the results you get. That's all. Good-by.'

"2. The manager imitates the schoolboy's shout: 'Play hard!' He monotonously and threateningly exhorts his men through the mails to 'Do more business.'

"3. If a salesman, when thrown bodily out into space in this way, lacks the cat's ability to perform a frantic contortion in the air and land on his feet—in other words, if he fails to 'make good'—the sales manager discharges him, and replaces him with another green and unsatisfactory man, and so continues indefinitely.

"The history of most of his men can be summed up in the four words: 'Hired, mired, tired, fired!'

"Then the manager wonders why orders do not increase. The reason is that he doesn't understand his business. Instead of developing his men and coaching them on to victory, he has merely prodded—prodded them into discouragement, resentment, and defeat. A sales manager should be a coach, not a prodder. He should guide and instruct his men; he should show them how and explain why."

How the Salesman Should Act toward the House.—

The salesman on his part may maintain cordial relations with his house by the observance of a few cardinal rules. First of all, the honesty and loyalty of a salesman should be without the slightest shadow of a doubt. If he is not confining his selling powers to the firm employing him, then he is handicapping his employer's business to that extent. He is harming himself, for the suspicion of such a thing will withdraw from him the backing and personal interest of the house, and he is also harming the prestige of the house and weakening its organization. There is no doubt that the traveling salesman has temptations to handle side lines. He is away from the observation—though less than he thinks probably—of the head office; his time is sometimes not so entirely filled up as it might be, and he considers himself free to do other work. The house, however, it must be insisted, is giving him opportunity which he must use to the fullest. Its interests are large enough to occupy his whole time. It is his duty to make business to occupy

the time. Old business will not keep a firm going, however well established it may be, and the salesman must spare no effort to obtain new accounts.

Keeping the Expense Account Down.—The salesman is probably not so much troubled by the question of the expense account as his employer; still he is often confronted by financial problems affecting himself and the house, and it is to his credit as an honest man that usually those problems are settled in favor of the house.

This expense account is a necessary evil in selling and should be kept down as low as possible. Several houses encourage salesmen by the offer of monetary rewards to reduce selling costs, and the expense account offers a good starting point. The salesman has for the payment of his expenses an ultimate sum to draw upon, and some salesmen can bleed the funds very successfully and yet exhibit perfectly legitimate reason and receipt for so doing. It rests entirely with the salesman as to what his daily expenses shall amount to, and whether or not he has doctored the account he sends.

Some few "Don'ts" as to expenses may indicate what is often done, and what naturally should not be done.

1. Don't rob the firm of your time and energy by traveling in the daytime and part of the night, when you might make the journey at night, and then try to salve your conscience for charging up unpaid sleeper fare on the score of increased discomfort. You have no right to unfit yourself for the next day's business when the firm is willing to give you every comfort.

2. Don't travel mileage on the regular train or on a pass, and then charge limited extra fares.

3. Don't skin excess baggage charges.

4. Don't enter up a carfare charge every time you walk two blocks.

5. Don't use the hotel free bus and then charge for a cab or bus fare.

6. Don't be afraid to patronize the laundry man, but don't send in bills large enough for two.

7. Don't endeavor to make on your hotel bill, and don't

induce the clerk to assist you in making out a fake receipt, by hinting that you might go elsewhere on the next visit.

8. If you can help it, don't pass in an entertainment expense account. If it is necessary to pay for dinners, cigars, drinks, theater tickets to win customers, show the firm that they are getting something out of it. When you pass in the account let a substantial order accompany it. But, above all, keep this price you pay for buying business at a minimum, and the house will be richer annually by a large amount. It is merely a question of downright honesty.

5. SALARIES AND COMMISSIONS

There are three methods of paying salesmen: (1) by straight salary, (2) by straight commission, and (3) by salary and commission combined. All these methods have advantages and disadvantages inherent in them individually; one will be found the best in the case of one man, another in another.

1. The Straight Salary.—The pure salary holds generally in the case of inside office men. Where the work is largely routine, its efficient execution does not, in any large degree, depend upon the routine of the worker. He can be encouraged by an occasional raise of salary, but his work is seldom of a kind on which any scale of commission could be based. The salesman outside the office, working on straight salary, knows, of course, that his sales are being tabulated, and that if he does well his salary will be increased. But he does not see the immediate result of his good work, and he is too apt to lose interest in the amount of his sales and become more or less of a machine. There is another type of salesman who is satisfied with moderate sales, such as he thinks his salary is worth, and will take as much of his time as possible for his own projects. Many salesmen combine selling on their own account with selling for their office; and their real enthusiasm goes rather to the former than

to the latter, since they receive an actual percentage of profit from what they sell for themselves.

2. The Straight Commission.—The firm should always endeavor to employ not merely the grudging minimum of the energies of its salesmen, but their enthusiasm and their whole interest. This end, however, is not furthered very much more by payment in straight commissions than by salaries. A man who sells purely on commission is usually not attached to the house as closely as the man who sells on salary. He will not have the interests of the house so closely at heart. His object will be rather to make quick and large sales which will bring him in immediate returns, than to establish the reputation of the house by more conservative and slower methods of sale that are often better in the long run. He loses his sense of a regular connection with the house.

The difficulty with the straight salary method appears to be that it fails to enlist the salesman's initiative and real enthusiasm, while the difficulty with the straight commission is that it fails to enlist his sense of routine and identification with the house.

Danger of Commission System.—The danger of the commission, whether it forms the whole compensation of the salesman or only a part of it, is that it increases individual effort at the expense of the organization. No man ever exhausts the possibilities of one line, and the commission system prompts the salesman to take on side lines. If these side lines come to pay him more than the main line, he pushes them at the expense of the main line. The system undermines him as a representative with concentrated energy. He tends to become rather the competitor than the employee of his house. He has the use of all the employee's experience about possible buyers, and is able to turn it to his own private uses. He can be the most dangerous of competitors because he has all the inside secrets of his employers.

The salesman whose interest is in any way divorced from the house he represents is dangerous, also, to its

credit department, for even when he knows that a customer's credit is shaky he will sell recklessly in order to reap his commission at any hazard. And he will make all kinds of private agreements with customers in order to increase his sales. As a result of this he becomes a competitor of his fellow salesmen, and creates all kinds of rivalries and jealousies in the selling force: whereas, on the other hand, the salary system promotes team work.

3. Salary and Commission Combined.—The solution of the problem seems to be a combination of the two methods; to pay the salesman partly in salary, partly in commission. For instance, he may receive, as salary, enough to cover living expenses. The salesman does not have the feeling that he must sell at any price in order to make enough to live on. At the same time, he is constantly spurred on to make more; for everything except the necessities of life now depend on his initiative and interest. Moreover, as he receives a commission on all he sells beyond a specified amount, this commission will be a more immediate compensation than that for any work he could do for himself. It will be a fair rate of interest on the value of his whole time, and he will have every incentive to devote himself heart and soul to the interests of the house. Besides feeling a solid connection with it, he will hope to make the connection more solid, and will cast in his lot and his ambition with his employers.

It seems as if, on the whole, the compensation of the salesman should for safety's sake have its basis to some extent in the salary idea. But it is well, for stimulus, to have some part of the compensation in a more flexible form which will correspond with increased effort and greater results. While the system of raising salaries is excellent and can be employed in any case, it comes necessarily at more or less wide intervals, and does not appear to respond to special efforts at any given time. If the salesman puts in extra time and works to good purpose one week, he will naturally be greatly encouraged if he sees the result of it before he has forgotten how he did

it. And if he draws an extra amount of pay, which bears an exact ratio to the extra work he has done, he will be inclined to repeat the experiment.

The Bonus.—Beside the commission idea may be mentioned the bonus idea. The bonus may be a percentage of the salary, or again, the salesman may be asked to do, for a time, what is expected of a higher-priced man, and, if he does it, be given the salary of the higher-priced man as a temporary bonus. In this way a salesman may be tested and trained to do the better work which will insure him the better income as a regular thing.

6. THE LAW OF SALES

The law of sales is full of pitfalls for the unwary, and both buyer and seller should have a care, before entering into any contract of sale, to see that they clearly understand in detail the contract to which they are committing themselves. Since the subject is a wide one we can not attempt to give any but the most important and useful points in this law.

What Constitutes a Sale.—A sale must consist of:

1. A definite offer to transfer the title and possession of a specified article, upon certain conditions, for a price in money.

2. Acceptance of the offer.

3. Delivery of the article.

4. Acceptance of the article.

5. Payment of the price, by paying a sum of money.

A price is essential to the contract of sale, and if there be none it is either no contract or, if the consideration be other property, it is an exchange.

Sale should be distinguished from four things:

1. *Bailment*, which is a transfer of the possession only, the title or property remaining continuously in the original owner; as a transfer of possession with the understanding that the identical article is to be returned whether in the same or an altered form.

2. *Bailment with Right of Purchase*, where the goods are delivered to some one under a contract giving him the option of (a) Keeping the goods and paying their value, or (b) Returning them if found unsatisfactory or unsuitable. The person to whom the goods are consigned holds the goods as bailee and not as owner, until the time stipulated for exercising option has expired, or, if no time is specified, until the expiry of a reasonable time. Upon failure to exercise the option the transaction becomes a sale.

The bailee may, however, sell the goods before exercising his option, and such sale is an implied acceptance of the goods sold.

3. *Contract of Sale and Return*, which is a transfer in which the privilege of purchase or return is not dependent on the suitability of the goods sold, but solely on the option of the buyer, to whom title passes subject to his option to return the goods within a given time or within a reasonable time. Failure to exercise the option makes it a sale.

4. *Consignment*, in which goods are consigned to another to be sold on behalf of the consignor, who is to fix the price and terms of sale. In this case the person selling is an agent of the consignor, and the contract is a bailment. Where the person selling is to pay a fixed price to the consignor, with liberty to sell the goods as he pleases, then the contract is one of sale.

The Offer.—The offer must be definite and complete—that is, there must be no conditions attached to it. If there are conditions, acceptance is not binding.

For instance, catalogues, quotations, or price lists are not a technical offer, as a condition to be arranged is the quantity of goods to be purchased. They may, however, be so worded as to constitute an offer. The sending of a circular marked with the “present price” of goods is a definite offer to sell at that price, and an order based on that price is an acceptance. But at any time before the sale goes through the seller can withdraw a quoted price appearing in a letter, circular or catalogue, or even given

verbally, notwithstanding any statement therein that the offer is open for a certain given time; unless the prospective purchaser has already provided a valuable consideration for an option. In like manner any offer may be revoked by the party making it, before acceptance.

Acceptance of Offer.—An acceptance must be communicated to the person making the offer within a given or reasonable time and before revocation. It must be plain and capable of only one interpretation, corresponding exactly to the terms of the offer. If the offer imposes certain conditions, then the acceptance to be valid must agree to them. If the acceptance imposes a new condition or variation, it constitutes a refusal of the offer, and becomes itself an offer which may be accepted or not at will.

The sale is completed at the moment of posting the letter containing the acceptance, even though such a letter does not reach the buyer. Similarly with a telegram, sale being consummated at the moment of passing over the counter.

Revocation must be manifested by word or act, communicated to the party to whom the offer is made before acceptance. It is also operated by death before acceptance.

A material mistake of fact affecting the very essence of the agreement of sale must be such as is contrary to the mental assent necessary to the formation of the contract. In such a case, then, each party will be assenting to something different, and the contract will be at an end. When a buyer, however, supposes that the article bought will answer a certain purpose, but it fails to do so, he can not pretend that he did not assent to the bargain, and the sale will be adhered to. The mistake may arise in various ways. First, it may be one of identity. "A" may enter into a contract of sale, thinking and intending to contract with "B," when in fact he has been dealing with "C."

Second, a mistake may occur as to the subject matter, as where one party contracts expecting to receive one

article and the other party thinks the agreement refers to another.

Third, it may occur as to the existence of the thing contracted for.

There may also be a mistake by one party as to the intention of the other. If the second party knows that the first party is mistaken in this intention, the contract is void.

Fraud.—A fraud is a false representation of fact, made in full knowledge of its falsity or recklessly with belief in its truth, so as to induce the complaining party to act upon it. Fraud breaks the contract; it also is an actionable wrong. Fraud may arise where there is concealment, either active or evasive, of the truth. Any one who conceals a fact which he ought to disclose is guilty of fraud. This important subject will be found treated elsewhere under its own head.

Consideration of Price.—A money consideration is essential to a sale. If the purchase price be inadequate, the mere fact will not set aside a contract of sale, unless it is so apparently gross as to point to fraud or imposition. The price must be fixed or ascertainable without further negotiation. If an article is sold and delivered to a purchaser for a reasonable price to be afterward determined, then the contract of sale can not be revoked even though the parties can come to no agreement as to what constitutes a reasonable price.

Subject of Sale.—The owner, or his employees, or agents, are alone competent to make a valid sale, except of negotiable securities.

The rule of *caveat emptor* ("Let the buyer beware") prevails, save in the above exception, and the real owner may recover his property from any third person who has purchased it from one who pretended to be but was not the real owner.

There must be something to sell, so that, if the subject of sale is destroyed or has ceased to exist at the time of

sale, there is no contract and no price need be paid; and, if the price has been paid, then it can be recovered.

The property sold need not have an actual physical or corporeal existence. For instance, the subject of sale may be a trade-mark, a mining privilege, a seat in a stock exchange, a license to sell patented articles, knowledge of the existence and site of an oil well, etc.

Delivery of Goods.—Delivery is completed by placing the goods at the disposal of the buyer so that they may be removed by him. In most cases there is no obligation to send or convey the goods to the buyer. For instance, it may be effected by transferring the warehouse receipt, or a bill of sale, or a bill of lading.

Delivery is not required to transfer title, unless express stipulation is made in the contract, except where non-delivery may mislead third persons. As soon as the sale of specific goods is completed, the contract becomes absolute, before payment and delivery; and the buyer is responsible for the property and risk of accident to it.

Should the seller be prevented from delivering the goods by an act of God—that is, some unforeseen happening beyond the power of man—payment must still be made.

For an executory agreement, in which sale is not made, but only a promise to sell, the buyer does not become owner of the goods until after delivery and acceptance. Consequently, he is not responsible for loss, he can not claim them, and can only raise an action for damages as compensation for breach of contract.

The place of delivery may be fixed by contract, but, in the absence of agreement or custom of trade, the goods are held to be delivered or placed at the disposal of the buyer at the place they are in when sold.

Where the buyer has to determine the plan of delivery, he must do so within the stipulated or reasonable time, by giving notice of time and place.

Delivery of goods before the specified time need not be accepted. Delay in delivery may be passed over by acceptance, but the buyer does not by so doing lose the

right to recover damages for delay. Delivery of goods by the seller, if no time is stipulated, must be made within a reasonable time. The use of the words "forthwith," "immediately," "as soon as possible" imply that the delivery must be made more speedily than if "within a reasonable time" were used.

The exact quantity of the specified goods must be delivered, neither more nor less than that ordered. The seller must not deliver anything different from what he has sold, and the buyer need not accept anything different from what he has bought.

Manner of delivery must be according to contract or usage. If by instalments, the failure of the seller to deliver and the buyer to accept one instalment entitles the party performing to rescind the contract and sue for damages the party failing. If the contract is made up of several independent agreements, failure to perform one of them does not affect the others.

Acceptance of Goods.—Acceptance is usually determined by the circumstances of the case. It need not be made in writing or verbally, but can be inferred from the attitude of the buyer after delivery. An acceptance may thus be constituted by delay in rejecting goods not satisfactory; the rejection having to be made within a reasonable time, if no period is stipulated; usage and custom of trade governing the interpretation of "reasonable." The buyer to reject must give notice of objection, stating that the goods are held at the seller's risk.

He must then keep the goods or notify the seller of his refusal to accept.

Anything done by the buyer, as if he were owner of the goods, constitutes an acceptance. Sale of goods by the buyer proves acceptance.

In one case a buyer retained goods for two months without giving notice of rejection. He sold a part of them, and it was held that he had accepted the whole.

The effect of acceptance is to render the buyer liable for the price agreed upon and to preclude allegations that the goods are not of the required quality or quantity.

He may still allege, however, that acceptance was procured by fraud or mistake.

Non-acceptance.—The buyer may refuse to accept goods if they are not of the designated quality or quantity, or delivery is not made at the proper time or place, and is not liable for the price or damages for non-acceptance. He may afterward refuse them, if a defect, not apparent at the time of acceptance, appears in the goods so as to render them unsalable.

Payment of the Price.—After delivery and acceptance of the goods, it is the part of the buyer to pay the price in the manner agreed upon.

Where no provisions have been made as to payment or delivery, payments should be made upon delivery. Unless there is provision to the contrary, payment should be made in money.

Where the sale is on credit, the buyer can have immediate possession, but the seller can not claim payment until expiry of the time of credit. Where payment is on demand, the buyer must be allowed a reasonable time to procure the money.

The buyer is discharged of liability, if payment is made as directed by the seller. If he can not do so, then the risk of remittance is his. If direction is given by the seller "to remit"—impliedly by mail—the money while in transit is at the risk of the buyer.

A receipt is a *prima facie* evidence of payment. Entries in the seller's account books showing payment of debt are also *prima facie* evidence of payment in favor of the buyer.

Debts are presumed to have been paid after the expiration of a period of years, if no request for payment has been made. The law as regards outlawed debts varies widely in different States and would best be consulted in specific instances. Thus New York (Code Civil Pro. 376) provides a statutory presumption of payment in case of judgments after twenty years, while by the Texas statute (1895, Art. 3356) a limitation of four years is fixed for

actions upon "mutual and current accounts concerning the trade of merchandise between merchant and merchant."

Action for Price.—When the contract is executed and title has been passed to the buyer, even though goods have not been delivered, the seller can sue to recover the goods or damages if payment is refused. Where both have passed, the suit is for the contract price.

Where the sale was on credit, the seller can not sue the buyer until the expiry of the period of credit, unless credit was obtained by fraud. If the credit was granted on the understanding that a note or other security should be given by the buyer, payable at some future date, then failure to furnish such note or security entitles the seller to sue at once.

In instalment payments failure to pay any instalment entitles the seller to treat the contract as broken, recover the price for goods already delivered, and sue for damages for breach.

Insolvency signifies the general inability of the buyer to pay his debts in the usual course of his business.

Stoppage in Transitu.—There is another class of remedy by which the seller may obtain the purchase price, if title has passed to the buyer but not possession of the goods. The actual custody of the goods may yet be in the seller, or the goods may be in transitu—that is on the way to delivery, in the possession of the railroad or express company. When the goods are still in custody of the seller he may hold them for the purchase price; and when in transitu he may intercept them, if it is possible, and prevent their reaching the buyer.

This right is called the Stoppage in Transitu. It exists only when the buyer becomes insolvent after the sales, or was secretly one before.

Transit begins from the moment of transferring the custody of the goods to the carrier and extends up to the actual handing them over to the buyer or his agent.

The usual way of exercising this right of stoppage is by a telegram or letter forbidding the delivery of the

goods, or notifying the carriers to hold them subject to the seller's order.

If the buyer has a suspicion that the right of stoppage will be exercised, and secures the goods from the carriers beforehand, the seller can not stop him.

The goods are still in transitu, when with an express company for local delivery. The right of stoppage in transitu extends not only to the seller, but to an agent, who, acting on his principal's order, has bought goods and paid for them with his own money.

A third person who has advanced the money for the purchase, taking an assignment of the bill of lading, can also exercise the right.

If the seller stops the goods when the buyer is not insolvent, he does so at his own peril, and is liable for damages. The right of stoppage is defeated if the bill of lading is in the hands of the buyer and he transfers it to a third person who pays value for it in good faith. To prevent this a notice should be endorsed on it that title in the goods covered by it remain in the seller until payment is received.

If the carrier disregards the notice, the seller has a cause of action against him. He may refuse, however, to redeliver the goods to the seller until freight has been paid. He is liable to the buyer or his assignee if he refuses to deliver when the right of stoppage does not exist or has not been properly exercised, or if he delivers the goods to some one who does not possess the right of stoppage.

The effect of stoppage is not to rescind the sale, but to place the parties in somewhat the same position as if the seller had not parted with the possession of the goods. The buyer may redeem the goods by paying the price at any time before they have been applied to the seller's claim; and the seller should hold them until such a price becomes due. After that the seller may after reasonable notice sell the goods and apply the proceeds to the price. If there is anything over, it belongs to the buyer. If payment has been partly made before stoppage in transitu, then the buyer can not recover such payment, the payment

being applied to cutting down the seller's claim to that extent.

If the buyer without cause refuses to accept and pay for the goods ordered but not delivered within a reasonable time, the seller can resell the goods. If they bring less than the former price, he can recover the difference from the former buyer.

Warranty.—In a sale of goods a usual accompaniment, though not essential, is a warranty or statement made by the seller as to the character or quality of the goods sold.

The warranty is (a) *express* when created by the explicit statement of the seller; or (b) *implied* when it is inferred from the nature of the transaction or the circumstances of the parties.

A warranty is not a promise of indemnity to the buyer against loss on reselling the goods. It is not valid unless a consideration is passing from buyer to seller.

No particular form of words is necessary to create a warranty. Any distinct assertion as to the quality or character of the thing to be sold, made by the seller, which it may be supposed was intended to induce the sale and was really relied on by the buyer, is a warranty.

A statement of opinion or belief is not a warranty. Salesmen's or dealers' talk extolling their goods is more an invitation to purchase than a warranty.

Statements or descriptions contained in written or printed invoices are not presumed to be warranties. If the seller knows that the buyer relied on these statements in purchasing, there is a warranty, if the buyer claims one.

Breach of Warranty Regarding Quality.—Any substantial failure in the goods bought to come up to the standard fixed by the warranty constitutes a breach of warranty. The defect must, however, have been present at the time of giving the warranty or have resulted naturally from some actual or potential defect present.

An exception is where a vehicle or machine is warranted for a specified time. Where the goods are sold

not only by sample but by description as well, with a warranty that they are up to the standard of both, there is a breach of warranty if they fail to meet the description. It has been held too that goods under a sale by description must also be salable under that description.

The buyer has these remedies for breach of warranty:

1. If the title has passed to him, he may recover damages for the breach.

2. If the seller sues for the purchase money, he may set off such damages.

3. If the title has not passed, or if the warranty was fraudulently made, he may rescind the contract, refuse to accept the goods, and sue for damages. If the goods have been received, he may return them or notify the seller that he holds them to his order.

The buyer must establish a warranty and that a breach of it has occurred. If the warranty is that a machine will work well, he must show in what point it failed to do the work. If the warranty is on condition that he take certain precautions, he must show that he observed them.

He must prove the fact of damage as well as all the other facts necessary in estimating the amount of damages.

In a sale by sample the seller must prove that the goods correspond with the sample, if the buyer should refuse to accept the goods on the ground that they did not so correspond.

Carriage and Shipping.—When goods are to be delivered “F. O. B.” (free on board car or ship) the seller bears the expense of placing the goods on the car or vessel which is to carry them. These letters must be followed by the name of a given place in order to have any significance. For example, an automobile shipped “F. O. B. Detroit” to a man in New York would be sent at the buyer’s expense, whereas the same machine sent “F. O. B. New York” would be at the seller’s expense.

Railroad, shipping, express companies and all other common carriers are bound to carry any or all kinds of freight, except in certain stipulated exceptions; payment must be made, however, and the carrier may retain the

goods until all the freight or other charges have been paid.

The carrier gives the sender of the goods a receipt for the articles delivered. This is termed a freight receipt, way-bill or bill of lading. The liability of the carrier commences as soon as he receives the goods. He is liable for all loss and injury unless arising from:

1. The act of God, such as a snow-storm or flood.
2. The act of the shipper, such as carelessness in packing or insufficiency of address.
3. The nature of the goods, such as decay of fruit or other perishable commodities, or live stock perishing by their own acts, such as goring or trampling each other.
4. Public authority, such as seizure of the goods by a process of law.

He must deliver to the right party. If he delivers to the wrong party, no matter how cautiously and innocently, he is liable. Where the carrier is instructed not to deliver goods until paid for, or where they are distinctly marked to show that payment must be made before delivery, he must follow instructions.

Where the goods are shipped "C. O. D." (collect on delivery) the carrier allows the buyer a reasonable opportunity to inspect them, collects the whole amount due, and remits to the seller.

The carrier may be instructed, during transit of the goods, to deliver at an intermediate point without any change in the contract of shipment.

COMPETITION

Popular Fear of Competition—Cheap-priced Imitations—Competition—So Much Business Lost?—Competition in Price—Competition in Quality—Quality *vs.* Price—Economics of Competition—Secrecy and the Business Detective—A Common Meeting-ground for Competitors—Trade Associations—Their Value to Local Trade.

XV

COMPETITION

COMPETITION, as it is commonly understood in the mercantile sense, implies the offer for sale of the same commodity, produced by manufacturers independent of each other, to the same buyer. Each seller naturally endeavors to get the highest price for his wares, to allow him a profit above the cost of production; but he may sell them below cost price rather than let them remain unsold, or yield the market to his competitor, or allow his factory to stand idle. This strife of the individual or group of individuals to gain the utmost possible profit in free rivalry with individuals or groups of individuals is now generally held to be the supreme law of trade. As such it is commended by believers in present industrial methods and denounced by socialist reformers. Most political economists and the majority of thinking minds see evils in unlimited competition, and would, without supplanting it by another principle, yet modify its operation. Competition, as we propose to write of it, will not touch upon competition in labor, but will confine itself to competition between trade rivals merely as bearing upon the general question of selling.

Popular Fear of Competition.—To some merchants competition appears as the Damoclean sword hanging over the head of their trade. Business men can scarcely transact what business they have under fear of it. Boards of Directors meet in solemn conclave and discuss a thousand and one methods of averting it. Sales managers spend a good part of their time, when they should

be doing something else, in lamenting rivalry and in evolving wonderful schemes of cutting out rivals. It is an ever-present ghost of Banquo appearing at the feast when the profits are declared. "Ah yes—the profits are splendid this year, but what about next? Competition is growing keener, you know. We'd better get busy, or the other fellow," etc., says the president.

"Sales are going down. Never saw such a coming slump in business during all the time I've been in it," says a director; "some imitator of our goods is getting all the market. I don't know what's coming to trade, and what's more, unless competition gets less fierce in our southern territory, I don't see how we can keep it up."

This bogey which confronts every manufacturer, when really faced boldly and put to flight, is usually found to be hollow and without substance. Yet it continues to frighten the small merchant and the large manufacturer. The man who builds up an enormous business from very small beginnings, devoting his whole energies and capital to its consolidation, is as much a prey to it as the small retailer who fears his neighbor round the corner. Competition knocks at their factory gate till they imagine that every weak imitation of it is the real thing.

Cheap-priced Imitations.—A house is apt to feel aggrieved if its articles are copied from poorer materials, and sold at a price below its own. For instance, a firm manufacturing a vacuum cleaner was annoyed and worried by the fact that several firms had made, and were selling at a cheaper price, an article modeled on theirs. Finally it was pointed out to them that their own article reached a certain class who were willing to pay for its reputation for reliability, and that their factory was working overtime to supply the demand; also that their imitators were reaching a different class, which they themselves were not attempting to reach, and that, instead of hurting them, this rivalry was not competition, but the best kind of advertising, and was really doing them a good turn.

The typewriter manufacturer who sells his machine at \$100 usually makes no attempt to reach the person wanting a machine at \$30 or so. Their spheres do not clash, yet the influence of the one induces sales in the other. The owner of the lesser-priced machine is never content until he gets the higher-priced one, which he would never have attempted had there been no intermediate stage. The business man must never forget that there are different grades of demand for a commodity, and that the whole volume of demand derives its stimulation from the number of concerns in the same field. The extension of the trade is such that a larger public is reached, and consequently educated to the value of the commodity.

Competition—So Much Business Lost?—To say that competition means so much business lost is to mistake the case. This is not to say, however, that it is so much business gained. It is safest to say that there is no rule in the case. Business may be hurt by the inroads of a rival, such as a "cut-price" drug-store. On the other hand, it may be improved. A "five and ten-cent store" recently opened a branch establishment in a block in Newark, N. J., and met with a good trade. Two rival concerns were attracted by its success and also opened up stores in the same block, selling the same class of goods at the same price. What happened? The first store's business increased steadily. The two newcomers did well, and every one was pleased. It was quite plain that in this case the current of trade was swung around to this block, and that competition was a decided benefit to the established house.

Competition in Price.—To the majority of business men, competition centers round the word "price," and that is the watchword of the struggle. To undersell rivals, or to meet the prices they are getting, is the first aim of their business. In their keen rivalry they sometimes forget that it is *profit* they want, not the pleasure of cutting out the rival house. The man with superior ability may sell at the same price as his competitors, but

he buys cheaper and sells in larger quantities. This is the man who recognizes that the highest paid labor comes cheapest in the long run, and that it is a crime against his own success to stint machinery for the factory and advertising for the office. Competition in price may appeal directly to the pocket of the customer, but it is oftener a ruse to draw off attention from the quality of the goods; it is the downward path to that region where profit stops, and to start upon it is more often than not to lose all control.

A well-known retail house in New York, however, is a striking example of success through underselling methods. The head of this house in an interview (in "Printers' Ink") stated that he would "prefer not to sell an article at all if he could not sell it at a lower price than others." This is an extreme view, and he was asked whether, inasmuch as he claims to be a friend of the consumer, he considers it for the best interest of the consumer for prices to be maintained; whether, if prices are not maintained by his store and other big retailers, the ultimate result is not that thousands of small dealers refuse to handle the goods in question at all, because they can not sell them in competition, all of which means smaller aggregate sales for the manufacturers, necessitating that they, in turn, either cheapen quality or go out of business—a disastrous outcome from an economic standpoint in either event.

"But is this the case?" he asked in way of reply. "I have one proprietary article in mind which has not been price-maintained and which has been cut by the retail dealers. Yet I have heard that its sales have been going up and up, all the time the cutting has continued. These manufacturers have always got the price they have asked. They have had no reason for complaint. It hasn't been poor economics.

"But while we are on the general subject of quality in relation to price maintenance," he continued, "isn't quality really a relative matter at best? I can grant you, perhaps, that advertised goods are high in quality, even that they could not be successfully advertised if they

were not so. But we believe that advertised goods are not, as a rule, better in quality than it is imperative they should be in order to make them a paying proposition.

"It has been our experience that most manufacturers who advertise attempt, in one way or another, to boost prices higher than they normally should in order to meet the cost of their advertising. Because of a certain false pride, we buy a young lady a box of 80-cent candy of one of two or three widely advertised brands. Yet I am positive that there is candy selling at 59 cents which is the equal of any of the 80-cent varieties ever made. The difference in price goes toward paying for the advertising."

Competition in Quality.—Nevertheless, to the manufacturer who aims at getting ahead of his rivals by means of improving the quality of his wares, there is every chance for adding to his trade. Competition in quality furnishes an appeal to the taste and intelligence of customers based on the merits of the wares sold, and it tends to improve the standing of the manufacturer in every way. It is creative and extends the field of demand. It may eliminate price competition and render the manufacturer free from the care of meeting his rivals on the ground of equality or inferiority in selling.

The manufacturer may even monopolize the quality, and many of them at this day are making fortunes in this way—simply because they are producing specialties, protected by patent or manufactured under special knowledge—there being therefore no competition, and so a substantial margin of profit is the result.

The retailer is asked to combine with them in their efforts, and often to sign agreements to maintain the price; and it is against these trade agreements that the retailer just quoted has been waging war.

Quality vs. Price.—The business rival who centers all his efforts upon price rather than quality has the chances strongly against him, and in favor of his competitor. Two retail groceries in a small Eastern city are striking

illustrations of the right way and the wrong way in retail business. Both were established about ten years ago by young men who had the same experience as grocery clerks, and who were on an even footing in capital, credit, and opportunities. Their town seemed to be well served already by grocers when they started, so the question of competition immediately came up for consideration. They settled it by fighting each other and older merchants, but along entirely different lines and to better advantage.

One of them reasoned that, as this was a railroad factory center with a large proportion of wage-earners who were presumably keen in keeping down the cost of living, he could succeed best on a platform of bargain prices. So he cut the butter and eggs to the bare net, offered specials in coffee and prunes for Saturday only, and tried to see how many pounds of sugar he could give for a dollar on the familiar plan of only one lot to a customer. Every bargain quoted by a rival was promptly met with a lower one. Every drummer who came along with a cheap "job" in goods a bit off-color got an order, as did all the salesmen with specialties put together in a shoddy way to retail below everything else of their kind, with a souvenir plate thrown in.

His rival, however, reasoned that railroad men and wage-earners generally like good living. So his competitive platform was built upon quality instead of bargains. If there were four or five different grades in a given variety of goods, he stocked most heavily on the second best, bought a little of the very highest grade for customers who wanted something still better, about as much of the third grade for those who would not pay for the second grade, and made it a rule to carry none of the cheaper grades at all. Prize packages and "jobs" were barred, too, and the only specialties he could be interested in were things of exceptional quality, which had never been offered people in that town, because merchants assumed they were suited only to fine trade in big cities. If people wanted the biggest bag of sugar obtainable for a dollar, he let them buy it of competitors, while every

item in his stock was priced to allow a reasonable but definite margin of profit.

After ten years' business side by side, starting with the same capital, these two stores show a remarkable contrast, even in outward appearances. The bargain grocer's windows are plastered with sensational signs, lettered on wrapping-paper with a marking brush. All the space the police will allow on the sidewalk is piled with miscellaneous wares at sacrifice prices. Inside, the store is unkempt, goods being of the cheapest grades and much of the stock being worthless, bought because it was cheap and only partly unloaded. His store space has not grown, and during ten years he has found it hard to make a living and meet his bills. Talk with him and he will make it clear that department stores and mail-order houses are ruining business everywhere. His rival's establishment, meanwhile, has grown into premises on either side, and looks big, clean, and prosperous. All the quiet, discriminating family trade centers there. The woman planning a fine dinner sends this grocer her order by telephone, and there is a definite prestige in having one of his wagons drive up to the door. No signs deface the windows, and no bargain baskets clutter the sidewalk. Perhaps one-fourth of his business turns on delicacies that ten years ago were considered too aristocratic for the town, and some of which he imports himself; and his profits on this trade alone would put the bargain grocer in easy circumstances. The high-class grocer has long ago advanced to a level where competitors do not follow, lives in a handsome residence, is a bank director and stockholder in local enterprises, and has a solid business to hand over to his family.

Economics of Competition.—A writer on economics recently summed up the difference between price and quality as follows:

"Competition in price makes a direct appeal to the customer's pocket, but diverts attention from the goods. Its tendency is always downward toward the bed-rock of cost beyond which there is no going.

"Competition in quality, on the contrary, is an appeal to the taste and intelligence of customers based on the goods and their merits. Many merchants and manufacturers hesitate to trust public taste, in the belief that the average consumer does not appreciate fine points of quality. But those who do rely upon it seldom go wrong, and the whole trend of quality competition is upward.

"There is never very much room in which to make or sell things more cheaply. But there is always the world of room in which to make or sell them better."

Secrecy and the Business Detective.—Another phase of the problem of competition relates to the keeping of one's own counsel in trade affairs. A false idea still exists to-day as to the secrecy of business plans. The old-school manufacturer exhibits great secretiveness as to his affairs, congratulating himself on the fact of knowing his competitor's moves, while his own are hidden. As a matter of fact, it can be assumed generally that competitors know all that it is vital to know about each other, and consequently there is no urgent need of secrecy.

Many houses employ confidential agents whose duty it is to ferret out the plans of rivals, or to discover how such steps may be taken in their own business as to stop leakage of secrets, wastage of material, etc., in order to cope with competition. The business investigator has many such interesting cases to investigate. Trade spies may be found in factories, dressed in overalls and acting like the ordinary workman, or employed in the office.

There is nothing like the fear of competition to stir the manufacturer to make use of the business detective in "stopping leaks." For instance, a manufacturer who had for a long time had his field practically to himself, recently found that a competitive article was about to be put on the market which would probably give him considerable trouble. He was far-sighted enough to appreciate that now was the psychological moment for him to go over his producing system and prepare himself to meet the coming competition, by stopping leaks. He accordingly employed a detective who, having been en-

gaged in somewhat similar occupation, knew about his line of business. The detective had been there only a few days when he discovered a way in which two of the day force and three of the night force could be dispensed with, and \$150 a week saved in this and other ways without diminishing the factory's efficiency in any way.

Even the retailers do not hesitate to employ the confidential agent. Many of the department stores employ men and women who make it their sole business to visit the stores of competitors, pricing goods, noting new lines carried, dress designs, novel ideas in arrangement, etc., which they report to their employers.

A Common Meeting Ground for Competitors.—In many lines of business, however, notably in manufacturing lines, the old methods of secrecy are giving way to a broad spirit of cooperation. Competitors are no longer nursing their secrets within the walls of their carefully guarded factories, but are in some cases forming associations for their mutual advantage. By standardization of materials and other mutual aids, mechanical industries may be vastly increased. Automobile makers endeavor to meet each other on this ground, and the American trade is in this way making rapid progress, as their prices are considerably lowered. They have made far greater strides than the English manufacturers, in the same length of time, simply because they have pulled together for standardization.

Trade Associations.—Mr. J. H. Collins, in the "Saturday Evening Post," has this to say regarding the value of trade associations:

"With many concerns depending upon ideas, secrecy is more or less an asset. For many years the novelty men, like manufacturers in many other lines, kept their business projects to themselves, and met other houses only in competition. Therefore, when a far-seeing manufacturer suggested, several years ago, that the makers of advertising novelties form a national association for mutual advantage, the proposal was received with con-

siderable hostility. The attitude of one successful novelty manufacturer was typical.

"From the beginning he had made a point not merely of keeping his business under his own hat, but also of saying that he didn't want to know any of his competitors personally. From time to time he found it expedient to help himself to their best ideas. Probably some of them were very decent fellows. If he knew them, he might hesitate to take what he found lying around loose, and that would hamper him in the development of his business.

"Join an association of my competitors?" he protested. "Not on your life! Why, that is just a scheme to get me to tell my secrets."

"Months of discussion went on before this project had advanced far enough to call a preliminary meeting. But there was an encouraging attendance of the leading men in the industry, because each of them thought there might be a chance to pick up something useful from the others while keeping his own business strictly to himself. This particular manufacturer attended in that spirit, he says. When he sat down among competitors whom he had been fighting for fifteen years, however, he found them unlike the mental pictures he had drawn. One of his most aggressive trade rivals, who had taken away business again and again, proved to be a big bashful man who blushed and broke down when called upon to stand up and express his views. The first conference was dominated by a bullet-headed little manufacturer who had never been looked upon as anybody in the trade. Not a great deal of set speaking was done at this meeting, but everybody there got acquainted with one another by twos and threes, in corners. Instead of maneuvering for confidential information, however, each found that all were discussing broad trade questions, such as the standardization of materials, holding sellers to specifications, regulations of abuses and dishonesty that cast discredit on the industry, and so forth. Within a few weeks the association was formally organized and committees appointed to take up such matters. Before it had been in

existence long the tariff revision began at Washington, and because these manufacturers had an organization and a common fund, they were able to send representatives before Congress with information that prevented a prohibitive duty on some of their raw materials. To-day this association is strong, its members enthusiastic, and the manufacturer who made it a policy never to get acquainted with competitors is one of its active officers. This association is typical of a kind of business organization that is becoming common in the United States.

"The trade guilds of the Middle Ages were formed to monopolize business, in the belief that there was only so much demand anyway, and that it should be regulated and individual enterprise stifled.

"But the present-day trade guild, organized like these novelty manufacturers, leaves members free to exert individual enterprise, recognizing that this is the energy which makes the whole industry go ahead, increasing demand for goods and raising the tone of demand. No special favor would be shown a member in open competition for business, nor any restrictions put upon him. Yet, through such an association all the people interested in an industry are brought together, learn that competitors have neither horns nor hoofs, and carry on broad trade measures which make conditions in the market better for everybody."

Their Value to Local Trade.—These trade associations have also proved of the greatest value to local trade, both in its protection from big outside jobbers and as a means of eliminating shyster methods from within. The same writer continues:

"The wholesale houses in an interior jobbing center, for example, have long been active competitors for the trade of retail merchants through three States. In recent years, however, the big jobbing centers, Chicago and St. Louis, have been reaching out for the smaller center's customers. To meet this rivalry, the hundred-odd houses in the lesser center have organized a commercial association to promote the town's mercantile re-

sources as a whole. Formerly, each house looked entirely to its own interests, and if its salesmen could persuade country merchants that it was the only responsible jobbing concern in that town it was regarded as good business. But now the salesmen take a little time to set forth the facilities of the town in every line. Literature showing these facilities is sent to merchants, and attention is paid to freight rates and special passenger fares at the buying seasons. If a town is weak in certain lines of merchandise, steps are taken to build it up, so that representatives' assortments can be seen by the visiting merchants, and the need for going farther away overcome. Salesmen compete as freely in making sales, and no restrictions are put upon the individual houses in selling to customers who come to the market. But the association has greatly increased the annual jobbing turnover of the town, and the cost of the work is so slight that a mutual arrangement for exchanging credit information covers it.

"In retail business, too, these good-of-the-trade associations are now abolishing what was long regarded as 'inherent trade evils' and rapidly bettering conditions for merchants who do business on moderate capital.

"The retail jewelry trade is representative of the new order. The retail jeweler is likely to be an expert watchmaker first and a merchant afterward. A customer brings him grandfather's old watch to be repaired again and again, and he fixes it up, taking pride in his skill as a mechanic, and perhaps never trying to sell that customer a new timepiece of modern design. If the customer wanted a new watch he might go about town among the different jewelers getting prices, putting one against another, and finally buying his timepiece at near wholesale cost from one jeweler who wouldn't let his competitors sell lower than himself on principle. As he feared those competitors, and kept away from them, it was not impossible to lead him cleverly to cut under a purely fictitious price. Furthermore, tricky cut-price operators, getting a stock of goods by questionable methods, selling below living prices, and turning their profits by going

into bankruptcy, demoralized prices. Many a retail jeweler broke his heart trying to meet figures set by those sharpers and still pay his bills.

"But within the past three years there have been marked changes. Instead of holding aloof, the legitimate jewelers have come together in city, state and national organizations. When they meet competitors face to face, they find them hard working, conscientious fellows like themselves. The whole trade has been started up hill. The retailer's cost of doing business is being studied, and goods are priced systematically to yield a fair profit. When the association jeweler has marked his price on a watch or a brooch, he sticks to it. No agreement as to prices is made with competitors. He is at liberty to undersell them if he can do so without loss. But by agreeing to stick to his marked prices, the chances of beating him down by pitting his competitors against him are eliminated."

XVI

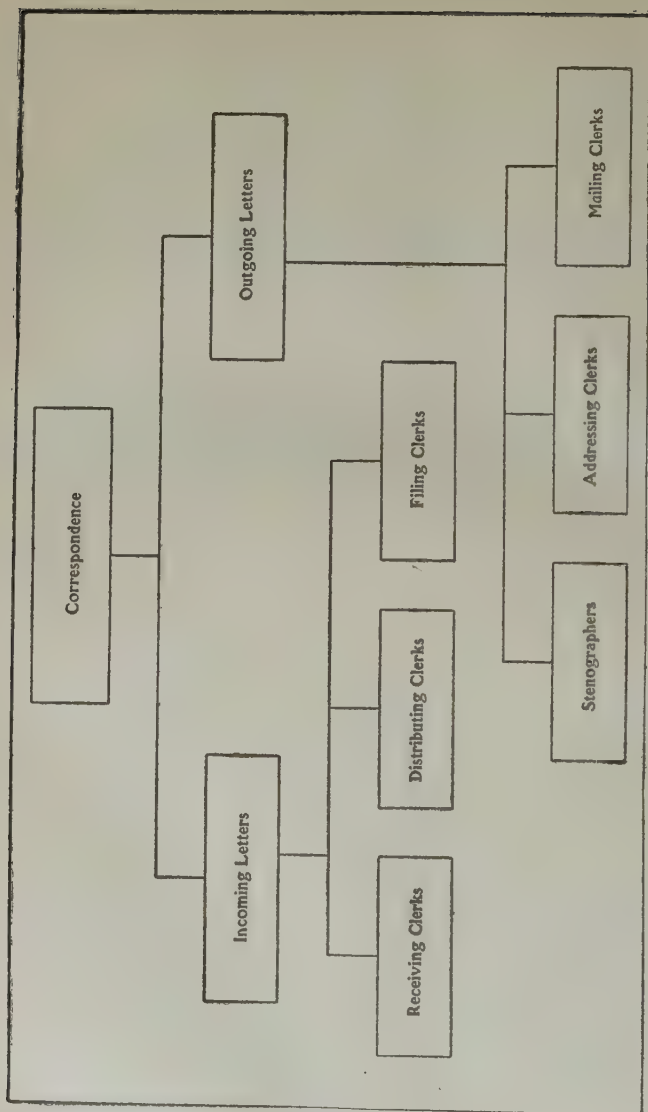
CORRESPONDENCE

1. INCOMING MAIL

Treatment of Incoming Mail—Personal Letters—Stenographic Correspondence—Filing—Tickler File—Importance of Correct Filing—Keeping Useless Letters Out of Files.

2. OUTGOING MAIL

The Outer Form of a Letter—Stilted Letters—Stationery—Letterheads—Printed Matter—Envelopes—Typewritten Letters—Contents of a Letter—Phonographic Dictation—Routine Letters—Complaints—How Treated—Collection Letters—Sales Letters—Follow-ups—Form Letters—Disposal of Outgoing Mail—Checking Postage.



ROUTINE FOR CORRESPONDENCE

XVI

CORRESPONDENCE

THE discussion of that most important phase of a business house's outside relations, *viz.*, its correspondence, falls under two heads: (1) Incoming Mail; and (2) Outgoing Mail.

I. INCOMING MAIL

Every transaction handled by a business house except cash sales must sooner or later be dealt with by the correspondence department, and to facilitate and simplify the methods of conduct, and of keeping records, is the first aim in organizing this department. Above all, simplicity combined with accuracy is to be desired, as a system is useless in which a letter is filed away so elaborately or carelessly that it can never be found again.

The head of this department is responsible to the business manager. He has charge of the following duties performed singly or in conjunction with persons under him:

1. Disposal of Incoming Mail.
2. Stenographic Correspondence, etc.
3. Mailing.
4. Filing.

In a large business, a central room or mailing department is the most satisfactory and convenient way of handling mail. Here all incoming and outgoing mail should be received. Telegrams also should be received and signed for in this department, and delivered to the person or department for whom they are intended.

Treatment of Incoming Mail.—The letter-carrier should deliver to this department all the mail, taking receipts here

for registered and special delivery letters, and collecting postage due.

The mail should then be carefully sorted by the head clerk of this department or one of his assistants, the personal mail being separated from the company's. Personal letters are delivered unopened. Individual letters addressed conjointly to the firm are delivered to the head of the department in which the person is located. Letters of importance go to higher officials. Routine letters are passed on to the regular correspondents. The company's mail should be handed to one or more clerks to be opened, they in turn passing it to others to remove the contents. Clerks should be very careful to pin all enclosures to letters to which they belong. The mail is then passed on to others who apply the receiving stamp. It is better to stamp all mail on the back to avoid disfiguring the face of the letter. When stamped the head clerk should note the department to which the letter belongs and place it in a basket or pigeon-hole of a case marked with the name of that department. When the mail is all sorted, according to departments, it is delivered by a boy to the respective departments. A convenient way to carry the mail is in a strong leather bag divided into compartments marked with the name of each department.

If firms, when writing on different subjects, should write one letter on each subject and address it to the department in question, it would simplify the delivery of mail very much, and also insure its going direct to the department to which it belongs. Much time would be saved in delivery and possibly misplacement or loss of letter avoided. Reference should be made to the person whose letter is being answered, for instance, "Yours of the 10th instant, Mr. Smith." Very often a letter merely addressed to the company will go the rounds of all the departments for a day or two before it is finally claimed by the person to whom it belongs.

The distributing of incoming mail should be, of course, in the hands of a thoroughly reliable person, familiar with the names of the persons connected with the company and the matter handled by the various departments.

To facilitate filing and also keep a clear memorandum of the business on hand, the clerk might note on small cards the business of each letter, the department or official to which it is sent, or any other special remark. Such cards can be attached to their respective letters, and when returned in the evening, would be endorsed with the action taken and then filed, furnishing a complete record of the transaction.

Personal Letters.—Personal letters sent to employees in care of the firm, or business letters which are addressed to the employees individually, should be discouraged. In the first instance, such mail only clogs up the machinery of the office. In the second, important matters may be delayed on account of the absence of the person to whom sent. Many business houses now print above their stationery a request that letters pertaining to the business should always be addressed to the firm.

Stenographic Correspondence.—After letters have been received, distributed, and read, they remain to be answered. In some cases the heads of a business have their own private secretaries, but the general bulk of the correspondence is undertaken by a staff of stenographers under the supervision of a chief stenographer. It is usual to have the stenographers in a room separate from the rest of the office. Calls for stenographer are sent to the chief, who selects one of his staff according to the amount of work he or she has got at the moment, and so arranges that stenographers are not confined exclusively to the services of one department.

It is the duty of the chief stenographer to see that the mechanical qualities of the letters sent out are perfect, that care is given to spelling and punctuation, etc., and that the work is done promptly.

Stenographic supplies are also kept up and given out by the chief stenographer.

There are several methods of keeping supervision upon the work of individual stenographers. Probably the best is that in which the chief stenographer, in sending a

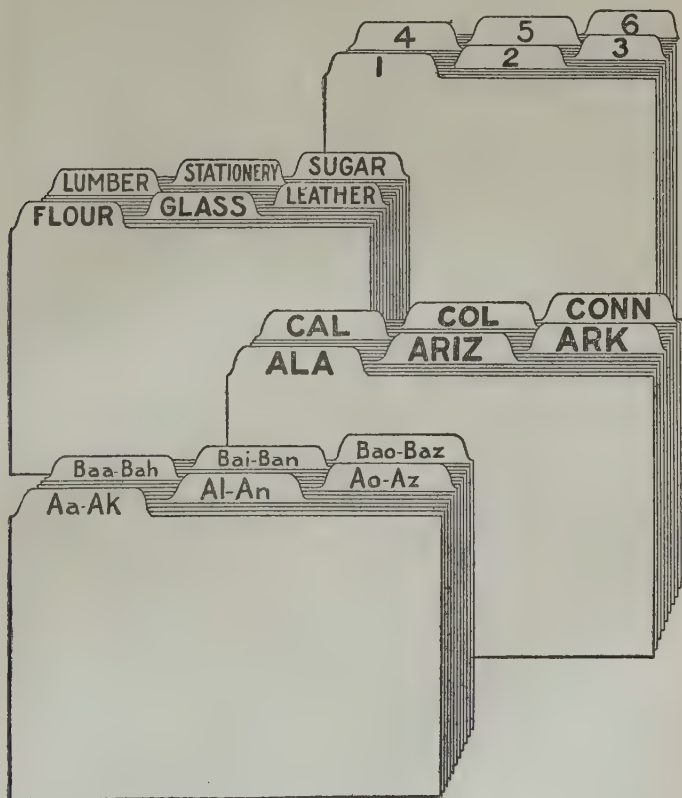
stenographer to take letters, gives him or her a daily card, which is to be filled in with: (1) Stenographer's name; (2) Dictator's name; (3) Time of taking notes; (4) Time of transcription; (5) Number of letters. A duplicate is kept by the chief stenographer, who files it and from that source can make up a weekly statement of work done by individuals. The stenographer in transcribing her notes makes carbon copies of all letters. The letters are sent to the proper department or person for signature, while the carbon copy is attached to the letter to which it is a reply and is ready for filing.

Filing.—The object of filing is to keep an easily available record of correspondence, and it is important that it should be in the hands of careful operators. Filing may be done according to four methods—Alphabetical, Geographical, Numerical, and by Subjects—these having been generally accepted as the most efficient. Whatever system is employed, care should be taken that all folders and drawer files are of standard size. The letter is first placed in a folder, and the folders are put into vertical drawer files, the divisions or grades being of cardboard, the tabs on which are a trifle higher than those of the folders. Each folder should bear the name of the department to which the filed letter refers, and be filed in front of the guide for that division.

Alphabetical.—When the correspondence is small, this is the most usual form. The guides are printed with the alphabet in subdivisions—such as AB, AC, AD and so on. Firms with which a large correspondence is carried on should have a separate folder. In the alphabetical system, the correspondence is filed alphabetically under the name of the correspondent. Though not absolutely necessary, an auxiliary card index will often be required in the alphabetical file also, particularly to locate letters signed by individuals but filed under the names of the concerns whom they represent. Letters from infrequent correspondents go into a miscellaneous folder.

Geographical.—The geographical system is an adaptation of the simple alphabetical system to the needs of a

very large business. In this system, the primary divisions of the catalogue are geographical ones, usually the States of the Union. If desired, these are still further divided into towns. The matter is filed alphabetically under



FOUR METHODS OF FILING

the names of the correspondents residing in each geographical section. In firms which have a large staff of salesmen on the road, this method is to be preferred.

By Subjects.—In the index by subjects, all papers re-

lating to a given subject, irrespective of the names of the correspondents, are filed together. This method is rather unusual, and only used by contractors or manufacturers who make many varieties of articles. Here the guides bear the name of the articles, and the folders the names of the various materials. A cross-index is usually necessary under this plan, to make sure of finding a letter without difficulty.

Numerical.—This method is usually resorted to by houses which have a large mail from regular correspondents, and is much used in advertising departments. In the numerical system each correspondent is assigned a number, under which all his correspondence and all papers relating to him are filed. In this case, the guides are numbered by tens, increasing consecutively, the folders bearing unit numbers. One folder is given to each house, and in cases where the correspondence overflows, additional folders bearing the same number may be filed alongside. As naturally the system of numbers gives no clue by itself to the names of the correspondents, there should be an accompanying card-index, the cards of which have the name of the firm, address and file number, with cross-reference cards, and in some instances another color for the individual members of the firm, both sets referring to the same folder.

The files should at all times be kept in perfect order, and no one should have access to them but the filing clerk or clerks. All letters should be removed only by such clerks, and should be returned promptly. To insure their return a memorandum should be placed in their stead, in the file. Once or twice a year, say in January and July, letters are transferred from the current files to stored filing cases. As for example, in January, 1910, new folders will be put in the files to contain the correspondence, and that for July to December, 1909, which is still in the files, will be removed. Thus there is always at least six months' correspondence in the current files.

Tickler File.—When a letter is to be taken up or followed up at a specific future date, two carbon copies

are made, one of which is filed with the correspondent's letter, the other being placed on the tickler or reminder file, the guides of which are labeled according to date. The memory is thus jogged at the proper time and no small detail is forgotten. The file is kept in the ordinary filing department, but each correspondent has a desk file of his own covering the correspondence with which he is concerned. Letters to branches, which are frequently inquiries, should have a blank space thereon for replies, the original being used. When this is returned to the inquirers it is therefore complete and reference does not have to be made to the copy.

Importance of Correct Filing.—The importance of the correspondence file is no longer a matter of question. The plan followed a comparatively short time ago of having the office boy file the letters in alphabetical order by the name of the writer, with no index whatever, has no place in the modern office.

It was practically impossible in former days to produce all the papers on a certain subject, owing to the papers having been filed by the name of the writers, some of which names were certain to have been forgotten. In those days it was not always considered necessary to have all the papers relating to a subject when deciding a question, but nowadays "precedent" has become a very important word. "Did we ever do this for any one?" "What has been the practise heretofore in this matter?" These are every-day questions now, and to answer them the complete file on the subject must be in hand.

Perhaps the word most familiar in present-day business life is "Rush!" and it is particularly applicable to the handling of correspondence. It is no longer a case of "Please see if you can find the papers on that subject"; what we now hear is "We must have those papers at once!" This is a hint as to the necessity for the file-clerk being able to give practical proof that he is "on the job." It happens frequently—not once a month, but probably several times a day—that the chief of the office, in a telephone conversation, will say, "Hold the line just

a second until I get my file." If the file-clerk is unable to produce the papers forthwith, wo unto him! But he almost invariably does produce them, and with surprising despatch.

Keeping Useless Letters Out of Files.—Not every one realizes the importance of properly eliminating the handling of mail matter having no relation to present or future needs. And yet in the solving of this lies one of the greatest time, labor and space saving office economies, the good results of which show in the amount of valuable filing space saved, the labor saved in filing and transferring, and the prevention of the files from becoming clogged; rendering it easier and quicker to find really important documents.

Every one has experienced, at one time or another, the annoyance and waste of time in hunting through a file choked with a miscellaneous assortment of valueless matter of all descriptions, the weeding out of which in the beginning would have eliminated the trouble and saved the time.

One large publishing company makes it a point to keep no mail save that which is really valuable. For example, no "jollies" to agents are filed. And in connection with filing the subscription correspondence, a radical departure from the usual method has been introduced which during the past year saved the filing of approximately 200,000 pieces.

The explanation of this is interesting, as it shows by what really simple methods the accumulation of "drift-wood" may be prevented. Before this system was put into effect, every notice of change of address, together with every Post-office notice of removal, was filed in the regular manner. During the past year, however, these notices have all been destroyed, after noting the changes on the subscription-card records.

While it may be thought by some that this method is "burning your bridges behind you" it has been found that in no single instance has it been necessary to refer to change of address, proving that the elimination of

these 200,000 pieces of mail matter from the files was a wise step.

By reason of the changed conditions the office boy has been displaced in the matter of correspondence filing by a clerk who is generally one of the better paid men in the office. His salary is none too large, for the work demanded of him requires good judgment and steady application; and because of the nature of a large part of the correspondence, all of which is of course accessible to him, he must be worthy of the entire confidence of his employer.

2. OUTGOING MAIL

Letter writing has always been one of the fine arts, but it is only within recent times that any attention has been paid to business correspondence. Although personal writing is being driven back by the telegraph, post-card and telephone, letter writing in business is day by day being advanced to greater efficiency by the introduction of the personal element.

The Outer Form of a Letter.—Business organization has this fatal faculty, that it conduces to mechanical adherence to certain well-established rules. The letters of one firm imitate those of another or of all, until correspondence becomes a series of set phrases. Forms become stereotyped and language either too bald or too prolix. A letter may be written more or less vague, on stationery which is an eyesore, clumsily crushed into an envelope half opened and insufficiently addressed. It is allowed to leave the office not alone, but in the company of equally faulty mail matter. And the harassed head of the business, seeing the balances dwindling, wonders why, with the best salesmen, an organization almost perfect, and goods all that he claims them to be, his rival still outstrips him in the race. As a hint he might well look at the correspondence methods of his rival.

The company which prides itself on its standing will make a special feature of its letter writing, with careful attention to every detail of form, typing, and stationery.

Nothing is too trivial to be overlooked. A man might as well go out to a reception with his clothes unbrushed or grease-spotted, as send out slipshod letters.

Stilted Letters.—Mr. George L. Louis, in "Advertising and Selling," has this to say about weak, formal letters which have no force behind them: "Will some alienist or psychologist explain why a normal man, who can talk business convincingly, pointedly and forcibly, is metamorphosed into a mouthpiece of senseless generalities, intricate sentences that lead to no conclusion, and tottering weak statements, just as soon as he has a pen in his hand?"

"'Hello there, Smith!' is the verbal greeting of the manufacturer, as he meets a prospective customer on the street, 'Say, I want you to come over to our sample-rooms and see our new line of stuff. You'll just go crazy over it! You'll want to buy every style in the house. They're corkers, let me tell you! Come on; it won't take you a half hour.'

"'Dear Sir:—' reads Mr. Smith, as he opens a letter from the same firm, 'We desire to extend an invitation to you to visit our establishment and view our advance style creations as produced by our expert designer and which we are exhibiting in our spacious, convenient exposition rooms; for we know—' but Smith reads no further; he has other things to do besides wading through listless, lifeless, letterless letters."

Stationery.—If a man is known by the company he keeps, a business house is equally known by its stationery. It is the official representative of the house. The object of every letter, it is true, is not to sell something, but there are few letters which do not contain a request or desire to have something done. They are read by the executive or by the department heads, and from their appearance the first impression of the sender is gathered. No firm can afford to employ a slovenly, ill-dressed representative or salesman. He would not give the person interviewed a good impression of the business he

represents; often he would not even obtain a hearing. The first impression is often accepted as correct. This being the case, why send out an ill-dressed letter? Its recipient may know nothing of the house itself, and therefore will derive his whole impression from this silent salesman. The appearance of a letter is its first appeal, and on the first appeal often rests the fortunes of one's business. It is so easy to rectify slovenliness. Let your stationery be worthy of your firm and expressive in some way of its merit.

There is no doubt that a firm should endeavor in some way to express its individuality in its correspondence, and also in its stationery, but it is hard to give anything but the most general hints on the subject of the last. Sheets about 11x8, of white bond paper, will be found best for typing, and as fitting in with the usual filing size.

Continuation pages should be of plain paper without any heading of any sort, unless it be the simple line that it is a continuation page. It should be, however, of exactly the same grade of paper as the first sheets; in fact, it should be ordered at the same time with the other, in order to make sure of its being both the same quality and the same size. This may seem like a small detail, but it will be appreciated by many large firms, who receive letters containing second sheets that go astray.

Letter-heads.—The letter should be engraved or lithographed. If type is used it should be simple and bold. Occasionally lettering may be printed from the line block. Bright colors should be avoided. It is better to use black. The trade-mark may be introduced, but it is out of place.

The letter should include:

1. The name of the individual or firm.
2. The address.
3. Department of issue to which replies are to be addressed.
4. Telephone number.

It might also display the names of the officers, cable address, foreign branches or agencies, and nature of

business. But care should be taken not to create confusion by overloading. The less space used the better. Advertising should rarely be permitted to enter into a letter-head. It is not the proper place for it.

Printed Matter.—Mr. Robert F. Salade, in the “Book-keeper,” gives the following good advice in regard to the printed matter used in the office: “Let the business man spare time for a few minutes and glance over his stationery now in use. Is it good printing? Does every letter, rule and other character stand out clear and sharp? Or are the characters broken and nicked in places with scarcely enough ink? Look on the back of your letter-heads, bills, etc. Are the letters and rules piercing through, so that they can be plainly read from the back of the sheets? Are the sheets marked on the back with offset, or smeared with ink? If any of these defects are noticeable, the work is not good printing and you are not getting what you pay for; in the experience of the writer, 99 per cent of the business men are paying a reasonable price for their printing. Are the designs of your office stationery antiquated, containing ornaments which serve no purpose except to distract from the subject? If so, inform the printer on presenting your next order that you wish something more modern. Tell him to submit proofs before going ahead. Insist on the use of some of the latest, clear-cut type faces. Where printed forms are used largely in the mechanical departments of a factory—stock reports, time-sheets, memo. blanks, etc.—it is the experience of every business man that the heads of the departments frequently make use of the last sheets before ordering an additional supply, thus causing a delay and upsetting the entire office system. As a remedy, the printer should be instructed on receiving an order for the blanks to place in stock and hold until the next order two or three pads of one hundred sheets each of the work in question. Thus, when the next order is placed, even though the last sheets have been used in the factory, the printer can deliver the reserve pads and the delay caused by waiting for paper to

be cut, printed and ruled is overcome. The operation is then repeated on the following orders sent to the printer. This plan is practised in some of the largest factories in the East and has always worked to perfection.

"The business man can prevent considerable waste in printing by ordering all sheets, forms, blanks, etc., tableted in pads of one hundred sheets each. The sheets do not then become scattered and soiled, and, of course, are more conveniently handled in the mechanical departments. Where large quantities of printing are used, there is a considerable saving in ordering them in from ten to twenty-five thousand lots.

"Another good method of saving is to order the stock direct from the paper houses, paying the printer for his work on the same separately, thus avoiding the 10 to 25 per cent added by most printers for cutting and handling."

Envelopes.—The envelope should be printed in exact conformity with the accompanying letter. Thus if the name of the department appears in the enclosure, it should appear on the front of the envelope also, in the left-hand corner. If delivery is not made, the envelope will thereupon be returned without delay to the proper quarter. A small matter, but one of the many which go toward making up a good impression, is the folding of the letter. The two best known folds are the long and the short—the long being used where the envelope is over $8\frac{1}{2}$ inches, and the short where it is the ordinary $6\frac{1}{2}$ envelope. The folding of the sheet should be carefully done, so that on opening the envelope the first thing to be seen is the firm name in the heading.

Typewritten Letters.—All correspondence should be typed. It is better to avoid freakish colors in ribbons. Black, blue-black, or purple are in good taste. Matter on which stress is laid may be typed in some distinctive color as red or green, but a variegated page is irritating.

Much depends upon the make-up of a letter. The type should not be smeary, and erasures should be avoided. Group your type lines symmetrically and even up your

margins. If you have a short letter, set it in the middle of the page. Don't crowd it up to the top. Indent your paragraphs, and if you want perfect clearness, leave space between each. Don't irritate your reader; he is the man you are doing business with and the man whose satisfaction is worth money to your firm.

Contents of a Letter.—Every letter should contain six things:

1. Day, month, year.
2. Name and address of person to whom sent.
3. Opening salutation, "Dear Sir," etc.
4. Body of the letter.
5. Complimentary ending, "Yours truly," etc., which should never be abbreviated.
6. Signature; if typed, followed by signature of official.

It has been said that the business letter, as representing an agent, should be couched in language as much like that of conversation as possible. This is not true. Talk is a leisurely process. A letter must get down to business at once. There are some simple requirements of a good letter which are entirely subservient to the individuality of the writer. Remember first that the letter should carry some of the personality of the writer. Know what you want to say before you begin, and say it in your letter in such a way that the reader can not fail to see its logic. Be brief, but not too abrupt. Don't eliminate everything that goes to make smooth reading, but don't try to tell too much. Avoid anything like discourtesy. Make more use of "you" than "I" or "we," and show that you are thinking of the reader rather than of yourself.

Let your letter be grammatically correct, but don't be afraid to use expressions of every-day use. Still, don't make a sporting page of your letter.

Keep clear of stereotyped forms. Relegate "yours of even date," "would say," etc., to the lumber heap, and knock out "herewith," "please find enclosed," "the same," and "thanking you in advance."

Phonographic Dictation.—At a recent business show in New York City there was a contest to illustrate the value of voice-writing in place of the usual stenography. Dictation was spoken into a phonograph at the rate of 150 words a minute, a speed which would tax the average stenographer to about her limit; this rate is much higher than the ordinary rate of dictation to a stenographer. Expert stenographers would probably be able to transcribe their notes from such a rate of dictation, but it would hardly be expected of those who are not classed as experts. This contest showed, however, that it was possible for the business man whose time is limited to dictate his correspondence with the utmost rapidity and have it transcribed with perfect accuracy.

“You can dictate twelve or more letters on to one cylinder of the business phonograph—quickly, conveniently, and without repeats or interruptions,” say the manufacturers of this machine, “and when they are dictated, your work is done—the rest is merely a matter of typewriting. You can dictate as fast as any stenographer can take it—or as slowly as you please. Your stenographer can transcribe from it twice as fast as from any shorthand notes, and with a far smaller percentage of errors. And none of her time is consumed in taking your dictation. You reduce the cost of your correspondence at least 50 per cent. You dictate the reply of each letter as you come to it—on the first reading. You dictate in absolute privacy, and directly, just as you would talk in personally conferring with the men who receive your letters. When you are through you have the assurance that your dictation is in such a form that any typewriter operator in your office can transcribe it accurately, and that it will be ready for you to sign at the close of the day.”

As we have already pointed out, however, in *Labor-saving Devices*, this method of dictation does not lend itself readily to corrections. The dictator must know what he wants to say, before he begins, enunciate clearly, and round out his sentences so that the stenographer can punctuate intelligently.

Routine Letters.—Under this head are grouped the every-day letters of a firm, inquiries, orders for goods, etc., and replies to similar letters received. The main thing required is that they should be absolutely clear. If you have any inquiry to make, do not enter into your family history or the reasons for wanting a specified article. If you are inquiring for a certain book, do not trouble to tell about your fondness for reading. State your business. If you are ordering goods, list the articles in separate paragraphs, giving details of price, size, etc. State clearly how money is sent or to be sent, with exact amounts; what mode of shipment will suit you best; by what date you want the articles to reach you; and above all be sure to give your full address. If your correspondent seems slack in replying, send him a courteous hurry-up letter, pointing out his evident omission or delay. All inquiries addressed to a firm should be answered at once, if possible. To delay tends to make the inquirer imagine that you are too careless or indifferent to attend to him.

Purely routine letters have been greatly simplified in some offices by preparing in advance a series of form paragraphs, which are kept constantly on file. These form paragraphs are written in moments of leisure, or when the writer is in his happiest mood, and thus state the case more succinctly and neatly than would be the case in hurried dictation. With a series of these form paragraphs in front of him, the writer can frequently dictate an entire letter by merely stating to the stenographer that she is to use form paragraphs No. 1, No. 4, etc., as the case may require. The great saving of time in this way is at once apparent.

Complaints, How Treated.—The complexity of modern business relations results in errors of all descriptions. Complaints of service, claims for returns and allowances, and notices of changes in addresses are numerous.

In order to deal adequately with each case it is essential that all correspondence in this connection be assigned to one person for adjustment; constant handling of this

branch of the business will enable him to dispose of complaints to the ultimate satisfaction of all concerned.

There are two recognized methods of treating complaints: (1) to acknowledge immediately the receipt of the letter; and (2) to send no acknowledgment until the matter is adjusted. It is obvious that definite satisfaction is what the customer seeks, but should there be any delay in tracing the goods he would not know in the interim that his communication was receiving attention. The nature of the business and the complaint will therefore suggest to the correspondent which course to follow.

To judge accurately of the merits of each claim, the person in charge should investigate it thoroughly before attempting an adjustment, and every effort should be exerted to treat the customer equitably, even generously, in order to retain his good-will, and particular pains should be taken to prevent a recurrence of the cause of complaint.

As to the form of letter and arrangement of details, the correspondent must bring his knowledge of the complaint to his aid, and act accordingly. He must at all times, however, adhere strictly to the matter in question, and bear in mind the advertising value of each conciliated customer.

Collection Letters.—One of the most difficult matters to deal with is the collection of moneys owing. To remind a debtor of his obligation is usually a matter of some diplomacy. To write to him is easier. In writing a letter asking payment, it is best to be as impersonal as possible, and to make it appear as if the letter were merely issued as one of the necessary details of the business. A debtor sometimes has a tender conscience. He dislikes to feel that he is being personally persecuted, but if he realizes that the letter is a customary adjunct he will not take offense. This is no plea for a debtor of course, but diplomacy may gain more than force. There are three classes of debtors: the Dead-slow, who never pays until he has to; the Dead-broke, who is for the moment financially crippled; and the Dead-beat, who

has no idea of ever paying, and they must be handled in various ways. (See *Collections*, in volume three.)

Usually a form letter is sent enclosing the account with a hint as to forgetfulness or escaping attention, and asking a remittance. If no attention is paid, more vigorous action is necessary. Every firm has its own idea of credits, and the period of grace allowed to a customer varies considerably. Some send follow-up notices, others increase the urgency of the request, at the same time working on the impersonal basis, that is, that the writer is sorry, but business must go on. Sometimes a note of sympathy brings results.

It is best, however, to stick to business arguments. Your customer owes you money. He is hindering the progress of your business. The final resort, of course, is to threaten legal proceedings. This need not be brutal, but may be regretful of having to take such a step. At any rate do not threaten vaguely, but be exact in stating what you intend to do—that failing payment by such and such a date you will be reluctantly compelled to place the matter in the hands of your attorney.

Sales Letters.—Those letters which aim at securing business are the hardest to write. Rouse the interest of your reader right away; convince him that he should buy what you want to sell. Finally make him realize that he has to order without delay.

You must show the need, by emphasizing the good points as compared with those which you imply are not found in rival productions. Or you may show the value in time and money saved, appealing to the common sense. There must be some particular excellence to form the basis of your motto or war cry. Prove it, if you can, by figures. If your goods can be tested, send samples. When you have succeeded so far, get the order. Make it easy by enclosing a form for signature. Enclose post-cards or envelopes ready for mailing.

Letters are a very valuable adjunct to many advertising and selling campaigns. Their chief value lies in the fact that they are a distinct and separate factor which may be

utilized to aid the other selling agents enormously. There is no limit to their field of usefulness. They may supplement the other methods, or they may be utilized alone—as they have been in many noteworthy instances—to build up successful businesses.

The productive power of letters depends not only on their contents, but on the attractiveness of typewriting and paper, and upon the directness of the appeal to the person addressed.

“Collier’s” letters have usually been mounted on a heavy coated stock, with a flap entirely covering the surface of the sheet and bearing a printed endorsement of the subject of the letter. When mailed, this letter is put in a special envelope containing strawboard. Embossing on the envelope and the letter-heads adds to the elegance and dignity. Novelties containing reduced reproductions of drawings by Remington or Gibson have occasionally accompanied these letters, and played a substantial part in developing good-will.

Follow-ups.—Follow-up letters are reminders or further arguments in letter form, rendered necessary if the first letter fails to evoke response. It is wisest in them not to appear annoyed at lack of reply, and not to suppose your communication has found its way to the waste-paper basket. Send your follow-ups merely as a continuation. Push your wares without being importunate. Present their merits in a forceful way. Be as original as you like. Do not appear as if you were conferring a favor, nor as if you were asking one. Whatever arguments you use, back them up with facts.

Form Letters.—Form letters are produced in numbers by mechanical process, usually imitative of typewriting. (See *Duplicating Devices*, p. 284.) If it is desired to convey the impression of a real typed letter, the imitation must be above reproach. The best duplicating device now prints the matter directly from type, giving as many copies as desired, and being so absolutely perfect that the period points show through on the opposite side of

the sheet just as in the original letter. The parts filled in afterwards, such as personal address, should match the body of the letter closely. Form letters often lose their value through the use of poor stationery and botchy filling in, or inexpert dictation. While, of course, every receiver of a letter is complimented when he feels that the letter is written to him exclusively, he will not ordinarily disregard a form letter that is well dressed; but a bungling one is an offense, and may take on an insincere element that not only does not effect the end sought for, but is destructive of good-will. For example, not long since a shoe dealer in Chicago sent out a form letter containing what in substance was seemingly a confidential confession that he had missed for a long time the customer addressed, and in looking over the books was surprised to find how long that time was; that he wondered if there was any shortcoming either in stock or service which was responsible for that condition, and if so, he would appreciate a frank criticism. Such a letter as this—revealing at a glance that it was only one of hundreds or thousands, instead of a private communication—is bound to give the discerning reader the impression that something actually is wrong with either stock or service, and that the writer is losing, else the imitation typewriting would have given place to genuine typewriting, which would have been more economical if the letter had been written to but few customers. This subject is treated more fully under *Form Letters and Follow-up Systems* (p. 703).

Letters have the advantage over personal solicitation in being of uniform cost, regardless of distance, certainly within the limits where the same rates of postage prevail, as in the United States and her possessions; but the impression they create is often less intense than that of a personal visit, and, consequently, the results may be proportionately smaller. This is not always so, for in soliciting business on behalf of a newspaper depending for its character and usefulness largely upon its own locality, it is desirable to quote statistics of the resources of the community. It is manifestly impractical for a



Filing System in a Naval Recruiting Station

The cards here used are specially prepared for use in an addressing machine. (See pages 283 and 680).

solicitor to explain or illustrate such statistics in a personal interview; and in a letter or booklet they may be told quickly and with the utmost human interest.

Disposal of Outgoing Mail.—All outgoing mail is in the hands of the outgoing mail clerk—or a staff of clerks under one head. Their duties are to see that the outgoing mail is gathered and brought to the mail-room, that it contains all the specified enclosures, and is properly stamped and mailed. Care in examining will sometimes save expense, as several letters to one firm may be mailed under one cover.

In some offices each department, when preparing mail, stamps the envelope. The clerk sending out should note the stamp charges against such department, which the cashier can then check against the amount of postage given to the departments in question, thus obviating leakage. A knowledge of postal conditions, mail train schedules, and charges will be found useful. Where large quantities of mail are to be sent out, both time and clerk hire are economized by addressing and stamping machines, which will be found described under *Labor-saving Devices*, (p. 280).

The various stenographers should address their own envelopes and make their own enclosures; or some one else in the department must be made responsible for this work, in order that enclosures for letters shall surely be enclosed in their proper envelopes and not lost in transit. That department alone is then responsible for any errors that may occur. Untold inconvenience and expense are often incurred by houses because letters go to wrong addresses.

Where an enclosure is to be inserted it is well to put the word "enclosure" at the bottom of the letter. It forms a check on the contents at both ends of the line.

Mail should be sent to the mail-room as often as possible during the day, where it should be at once sealed, stamped and weighed, and either taken to the post-box or the post-office. Locked mail-bags made according to

government requirements can be kept on hand, and when filled delivered direct to the post-office.

When a firm has several branches and factories, numbers of letters are daily written to them. This mail should be sent to the mail-room unclosed, the letter merely being addressed. It is then sorted according to plant or branch and enclosed in one large envelope, thus saving a large amount of postage. Sorting baskets are provided bearing the name of each branch; or, a better way is to have a file divided into compartments to hold the respective envelopes; the envelopes are then ready for enclosing the mail.

To get the mail off as promptly as possible, a boy should be sent around to the different departments every hour to collect all that is ready to go out. The plant and branch mail may be allowed to accumulate until the time for sending it, a schedule for which may be obtained at the post-office. Most of the mail of a large business house will come to the mail-room at the close of the day. This can not always be avoided, but so far as possible mail should be sent to the mail-room at more frequent intervals. It is then handled more accurately and reaches the post-office before the "rush" sets in, and reaches its destination several hours earlier than it otherwise would.

Checking Postage.—The postage account of a large business house is an important item. It should be carefully looked after by a thoroughly reliable person. A strict account should be kept daily of the postage received and given out, so that when the postage account is made up the two should balance. A statement should be kept of the number of stamps of each denomination received, and the number used. This will necessitate the counting of all on the mail, before being sent out, to see that it tallies.

Some large houses have adopted the system of perforating their postage stamps with a private monogram, or initial cut out, so as not to mar the legibility of the stamp. The Government permits this perforation, and it

serves as a check upon dishonest persons who might try to dispose of the stamps on the outside.

The careful accounting for postage stamps under strict rules may not only result in a saving to the proprietor, but may save young clerks from dishonesty, through the removal of temptation which always exists where small articles of value are accessible and carelessly handled.

XVII

FORM LETTERS AND FOLLOW-UP SYSTEMS

Follow-ups an Important Adjunct—Perfect Manifold Letters Necessary—Make Them Look Genuine—Use Sparingly—The Matter of Postage—A Written Salesman—The Beginning—Exhibiting the Wares—Compelling a Sale—Right Ways and Wrong—The Climax of a Letter—Following Up the Not-Interested Ones—The Mailing List—Beginning the Campaign—A Good Point—Use the Best Materials—Try-outs—Talking Points—Follow-up Systems—Classified Lists—Use of the Card—Use of Return Envelopes.

XVII

FORM LETTERS
AND FOLLOW-UP SYSTEMS

IN the discussion of *Selling by Mail Order* (p. 592) we have already noticed the phenomenal growth of this class of trade within the past generation. Nothing else, in this time, has probably exercised so radical an influence upon the commercial activities of the country. Enormous retail houses have arisen which transact their business entirely through the mails. In addition, innumerable manufacturers and jobbers have found the mails an excellent medium for selling to dealers. As a result, the number of concerns which use advertising and systematic correspondence, either exclusively or in addition to traveling salesmen to push their sales, is continually increasing.

There is, of course, a good reason for this growth. In the time that it could take a salesman to cover two cities, a catalogue can reach a hundred thousand buyers all over the United States and Canada. It has been demonstrated, particularly in the case of special lines, that a house can sell more goods at a lower price and yet greater profit without traveling salesmen than with them; for traveling expenses constitute a heavy tax which must be borne ultimately by the purchaser. Nor is the contention, so frequently heard, that traveling salesmen can be of great help to the credit man, of much value. With the modern development in commercial agencies, local attorneys, and other sources of credit information, the credit man can obtain more exact information of local conditions without the aid of the traveling men.

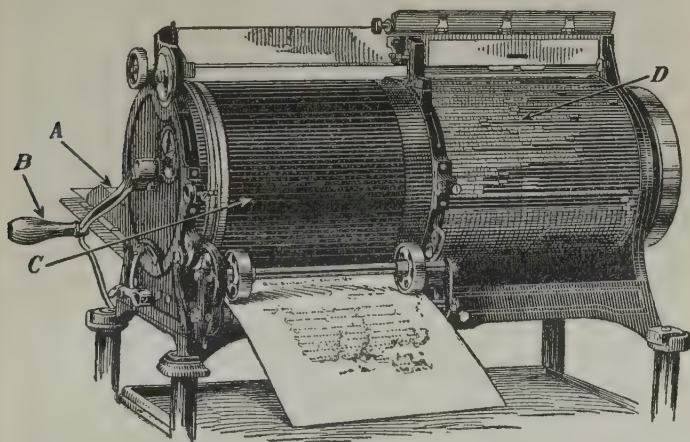
Follow-ups an Important Adjunct.—No matter how attractive and persuasive the first series of printed or written matter may be, in a mail-order campaign, it must be reinforced by a series of follow-up material; and in order to achieve the best results and at the same time secure exact information for use in the next campaign, a thorough-going system must be followed. The canny mail-order man is not content with the actual sales of to-day, but is always at work upon schemes for enlarging his trade of to-morrow.

Catalogues and booklets are the basis of all mail-order business; but catalogues and booklets, no matter how well written and how attractively gotten up, will seldom supply that impetus to action which results in a sale. For this the personal letter is needed. Since, however, it is manifestly out of the question to write a personal letter to each one of the thousands of people whom the mail-order house circularizes, the problem is to devise a manifold letter, which, in language, appearance, and general impression shall closely resemble a personal one—so closely, in fact, as to raise no question of its being personal in the minds of the unsuspecting.

Perfect Manifold Letters Necessary.—There is, generally speaking, nothing more useless and even positively harmful than a letter which, while meant to make the impression of a personal communication, is obviously a circular. The manager of a large single-line house, which does its entire business by mail, writes: "The first reply I ever received to one of my form letters read something like this: 'Gentlemen:—I have just received your circular letter of the 15th inst. We are not in need of anything in your line to-day; perhaps sometime in the future, etc.' When the writer referred to a circular letter received I knew it was all over with him."

So common is it to see a form letter in which the typing of the address is strikingly different from the reading text, either in type, color or alinement, that some experts have become dubious as to the value of form letters in any case.

Says Truman A. De Weese: "I am not altogether certain that the follow-up system should not consist entirely of separate pieces of printed matter, instead of false type-written personal letters." This is an extreme view, but it emphasizes the necessity for scrupulous care in the execution of those mechanical features of the form letter



THE MULTIGRAPH.

A—Feeding slide. *B*—Actuating crank. *C*—Printing drum.
D—Supply drum containing fonts of type.

which determine whether it creates the impression of a stock letter or of a personal one.

Under the head of *Duplicating Devices* (p. 287) is described one of the best machines for making facsimile typewritten letters. This machine, the "multigraph," presents the advantage of printing directly from type.

Make Them Look Genuine.—"To caution 'the man behind the letter' to have the filled-in name and address and appellation an exact match in coloring and spacing with the body of the letter ought to be a needless warning," says George L. Louis. "The deadening effect of mismatching can only be appreciated by the one who mails such a letter and impatiently waits for replies from

what he terms 'stupid merchants.' The moment the reader glances at an ill-matched letter he instinctively assumes an attitude of antagonism that discovery of deception always arouses. Your proposition must be mighty alluring to offset such a handicap and bring a response to your solicitation.

"To carry out the illusion of a personally dictated letter, intended only for the individual to whom it is sent, the body of the letter should have all the ear-marks of a busy stenographer's work. The right-hand margin should be unevenly indented. Look at the average dictated letter and see how the lines vary. The printer in setting up a letter usually makes the right-hand margin as even as the left side by spacing. This is another letter mannerism that should be avoided. The reader unconsciously feels the same toward a perfectly margined and balanced letter as toward an overdressed and painfully immaculate salesman. It is impossible to get 'close' to them. The personality of each is concealed under a too formal and forbidding dress."

In addition to the "matching" of the address with the body of the letter, the signature of a form letter demands careful attention. A form letter of which the signature is rubber-stamped or typewritten, or obviously written by the office boy instead of by the sales manager, is not apt to make the most favorable impression.

Use Sparingly.—There is nothing which so easily ruins a follow-up scheme as to turn it into a torment to the recipient, and most of them do have such an effect. When a man receives five or six letters all pointing out the wonderful benefits to be derived by obtaining the same thing, he feels that no firm can afford to take such a great personal interest in him, and that he is only one of the thousands who are being so bombarded. Besides, if he can't be interested by about the fourth letter, he is a hopeless case for the advertiser.

The city man can not be dazzled by a cheap form letter, couched in language which insinuates that the world is held together by such and such a firm, or that life would

be a dismal blank without its service. It may even indicate that only a fool would hesitate to jump at the chance. As there must be, according to this standard, nine fools to every ten men, the recipient is not flattered or impressed. Some hints on form letters have already been given under *Correspondence* (p. 677), and they apply as forcibly to the mail-order letter.

On sending them out, make as personal an appeal as possible, and have them typographically good. Enclose a booklet: it need only be a few pages, but it must be of interest. Have a series of them, and with each letter send out a fresh booklet. Keep the interest warm, but be ready to stop when you feel that you run the chance of sending mail which goes into the waste-paper basket.

The Matter of Postage.—As a precaution that your letter will, at least, be looked at, keep away from the one-cent circular letter. Stick a two-cent stamp on and give your letter a chance. The patent envelopes which are ostensibly sealed, but still bear the one-cent stamp, are useful in some special instances, but no longer delude the reader into the belief that he is receiving a personal communication.

Thousands of dollars are wasted weekly on poor follow-ups, form and circular letters which pass to the grave of the waste-paper basket unhonored and unread. Every business man knows the dozen or the half-dozen manifold letters wretchedly done which arrive in the morning mail. If you can't send a personal letter, don't send a bad imitation of it. Be honest, and confess that you are advertising. Rather send a good piece of advertising matter, a neat booklet or circular. You can attract more attention, tell more of your story, and give the recipient something which may lie on the desk at least for a day or two. It is more expensive, perhaps, but it pays in the long run.

A Written Salesman.—After all, however, the mechanical make-up of a letter is not its prime requisite. The form letter is a written salesman—in fact, a series of him.

Consequently it must employ, above all things, the art and science of salesmanship—the ability to interest, to convince, and to impel to action.

It is as impossible to prescribe a formula or recipe for a good form letter as to prescribe one for a good oration or a good sermon. The personality of the writer will be of more value in its composition than any observance of rules. Nevertheless a few suggestions, gleaned from the experience of a number of practical form letters, may be of value.

"If your composition is simple, earnest, enthusiastic—has an actual throbbing life to it," says George L. Louis, in "Advertising and Selling," "your readers will see you and feel your presence as well as hear you speak. The converse of this is equally true; flippancy, smartness, involved utterances, fancy flourishes, anything but direct statements of facts, are as deadly to personality as a printed circular.

"Judging from the follow-up letters one receives, their writers seem to lose sight of the fact that they are talking business to a possible customer, that the letter is only a form of speech-transmission necessitated by the distance between the parties of such a conversation. Instead, they evidently feel that the letter offers an outlet for their pent-up literary genius, and they compose it under the illusion that the reader will be seized with an uncontrollable desire to 'Sign the enclosed post-card' or 'Write at once for sample.'"

The Beginning.—In any kind of composition the manner of beginning is of the highest importance. This is especially true of the form letter. If a salesman makes a poor beginning of his sales talk, he may yet save the day by continuing his argument and finally catching his prospect's interest. But a form letter must interest from the first line, or it will be immediately consigned to the waste-paper basket. "Well begun is half done" applies with peculiar force to the form letter.

Before the merchant will act favorably on the suggestion of your letter, his thoughtful consideration, his at-

tention, must be gained; but before you can hope to get his concentrated attention his interest must be awakened. This will be found to be the necessary logical sequence that will insure favorable responses.

The essence of a good beginning for a form letter might be summed up in the sentence, "Never begin with 'I' or 'We': always begin with 'You.'" A form letter must appeal to the recipient's self-interest from the first word. An advertisement, aided by attractive typography and catchy illustrations, may arouse the reader's curiosity and still fail to hold his attention; but the condition under which the form letter is almost invariably read, and the lack of pictorial embellishment which must characterize it, make it imperative that its first appeal should be, not merely that of curiosity, but to the active self-interest of the recipient. He must not be impressed with the fact that you have something you are anxious to sell; he has troubles of his own; but he must be made to see that he *needs* the article you have, that it is indispensable to him, that he is losing money through not having it.

We are all more or less egotists. We are instantly and keenly interested in anything that emanates from us or pertains directly to us. We can talk about ourselves, our affairs, our exploits, or listen intently while others talk about them, by the hour, and never lose interest. But let some one else talk about himself, his affairs, his exploits, and see how quickly we begin to yawn and be bored.

The "we" as an independent force, making assertions as to its own strength or importance or value, has no place in the follow-up letter if that letter is to be effective. The "we" must be entirely subservient to the "you." This enables the writer not only to address himself to the merchant, but makes the letter a mouthpiece of the merchant. For every thought can then be worded so as to appear as if it were only an endorsement of the merchant's views.

Exhibiting the Wares.—But securing the reader's interest is only the first step. The form letter writer labors under a still greater difficulty. He must, almost invari-

ably, offer an article to his reader for sale, without being able to show the actual article to him. Now a buyer is usually cautious enough even when he can see and feel what he is buying. How much more cautious must he become when he is obtaining all his facts and impressions merely from the printed description. Yet he is expected to buy on the strength of the printed word alone, and that word may be totally inadequate. It may presuppose too much knowledge on the part of the recipient, either about the house or its wares. It may be too abrupt, or too vague. It is because of their failure to meet this difficulty that so many form letters fail. They do not describe their subject so that the reader can realize it—can seem to feel, touch and handle it. The writer must be, above all, a word painter.

But, it is frequently objected, a proper description would take too much space; the form letter must be short, concise, snappy. This is partly right and partly wrong. The form letter, like any other letter, should say what it has to say in the fewest possible words; but it should not, for the sake of a fruitless brevity, leave unsaid what should be said. A score of pages may be required to explain an involved and important financial proposition, while a half page will suffice to explain to a man why he needs a new kind of carbon paper. Everything depends upon the necessities of the case. Tell your tale in as few words as you possibly can, but be sure that you have really told it all before you stop.

Compelling a Sale.—Having aroused the interest of your reader, having placed your proposition clearly and attractively before him, the most important work still remains to be done. You must convert the interest and conviction into action; your reader must not merely feel that he wants to order; he must *order*. For this, nothing is more essential than a forceful climax—a climax which will make the reader feel that it is vitally to his interest to order immediately, rather than within a week or so.

The most common method of devising such a climax is to offer some special inducement, such as a discount or

a premium, for an immediate order. This scheme has been so persistently worked, however, that it is now practically valueless and had best be used with caution. An excellent climax can be worked up without it, as illustrated by one of the form letters used in the sale of cash registers:

"If a dependable bank should offer to give you 10% on your money instead of the 4% you get now—wouldn't you put your money in the new bank as soon as you could?

"You wouldn't wait until it was convenient—you wouldn't put it off until you just happened to be in the bank's neighborhood. You would go at once. Because every day's delay would mean the loss of a day's interest at 6%. And no retailer can afford to throw money away.

"Now you can't afford to delay getting a National—because every day you are without it means so much loss in the money this National will make or save you—and add to your bank account. Order to-day!"

Right Ways and Wrong.—An interesting start, a lucid and convincing exposition, and a stimulating conclusion—these are the trinity of the form letter writer.

Some writers have the idea, however, that the employment of cheap humor is the best method of obtaining these desirable features. There could be no more mistaken idea. While a genial, pleasant tone is always in place and usually valuable, yet the pun, the flippant jest, or any variety of intellectual horse-play, can not but serve to prejudice the prospective buyer against the proposition before him. No one has yet been able to advance a sound reason for the belief that a man will hand over his money to another more readily because he knows the other to be a talented humorist.

Even more pernicious than the flippant is the aggressive tone. No man likes to be told that he does not know his own business, even though the other fellow may be thoroughly convinced that such is the fact. An extreme example of the aggressive follow-up letter, but one which

shows in exaggerated form a tendency which is observable in innumerable follow-up letters, is the following:

"I find it hard to understand your attitude. If I were offering you gold dollars for sixty-nine cents, I should expect you to side-step, get a firmer grip on your wallet, and regard me with a suspicious look in your eye. If I were even advising you to try some theoretical scheme, based entirely on my own imagination, your present indifference would be perfectly comprehensible.

"But, as the matter stands, I confess I am puzzled. I have asserted that my special business-getting methods will positively increase your sales. If I could make that statement stronger I would do so.

"It is no question of what I think or what I say. I have absolute definite knowledge of results secured for others—results so big that my clients have frequently doubled their appropriations. Yet all the enthusiasm still remains on my side."

Such a letter as this is an excellent example of what should *not* be said. No man likes to be browbeaten or "bluffed."

The Climax of a Letter.—"The appeal for action—the climax of a letter"—says one successful writer, "here is where all of the writer's ingenuity and vocabulary must be drawn upon. The productiveness of a letter depends upon the strength of the final appeal. I have found that the best avenues of approach for the final plea—the most vulnerable, susceptible impulse action—are the appeals to self-interest and to the sense of duty and fairness. When the letter takes in all of these appeals it is fairly certain to bring a large percentage of favorable responses."

Following up the "Not-Interested" Ones.—"The negative responses, the 'Not interested' and 'Don't want your line' answers to your letters, what do you do with them?" he continues. "Throw them in the waste basket? Paradoxical as it may seem, these are the best prospects. These are the ones I follow up most zealously.

"These are the merchants that do not generally respond to the follow-up letters favorably, and for that reason are the more desirable because they materialize into the very best accounts when they are once landed."

The Mailing List.—Granted that the form letter is right in text and mechanical features, the next question which arises is in regard to its use—the best system to be employed.

"The basic essential of an effective follow-up system is the mailing list," says the writer in "Advertising and Selling," already quoted. "The greatest care and every precaution should be exercised to make a list of actual prospects, to safeguard against dead names. Of the various methods employed in making up these lists, I favor using the commercial rating books. Here we can find name, town, state, population, business and financial rating in whatever territory is wanted. I always select two of the highest rated merchants in each town, irrespective of population. This latter condition, 'irrespective of population,' is, by the way, of such importance that an entire article might well be devoted to a discussion of it.

"It is wise to make the lists of prospects as large as possible. This reduces the expense in proportion to the results that will be produced."

Beginning the Campaign.—"Now, remember, I'm a salesman, and as such I must introduce myself and the house I am representing—figuratively shake hands with the prospective buyer and break the ice preliminary to my selling talk. Hence, the first piece of literature I send out is a mailing card, somewhat larger than a post-card, but not so large that it will be broken or torn when handled with the regular mail. This card, which should be made as attractive as possible in coloring and lay-out, is simply a 'How d'ye do! I'm from Brown, Blank & Biff's. We've got a proposition that will mean more business and more profit. Be sure to read our letters carefully, and please don't forget our name.'

"Any of the clever card-devices with detachable return post-cards can be used effectively to cut out from the start the dead names on your list that do not handle your line of merchandise or who are not in business any more. Ask them to sign and mail and return card upon which is a pointed inquiry such as: 'Do you sell more than two lines of clothing?' or 'How many clerks do you employ in your shoe department?' or 'Do you control all of the best corset patronage in your locality?'

"This will bring immediate replies from all of the merchants who do not sell clothing, shoes and corsets. Very few of the ones who do sell the line in question will answer; but you will have simmered your list down to the people to whom you want to talk, before the first letter is sent out."

A Good Point.—"I begin to address my list about three months before the active opening of the retailing season, and continue to follow-up at periods of about every ten days or three weeks throughout the season. The interval between the letters is wholly a matter of how quickly or slowly the responses come. I would like to send out my letters every week, were it not for the fact that this would endanger the effect of the letters in those instances where the prospect receives a second communication when he has already answered the first. This makes him draw back in his shell, and he will ignore all future correspondence.

"Before entering upon the discussion of the composition of the letter, an analysis of its form is necessary. The letter, of course, is imitation typewritten. To accomplish its purpose, it must be such an excellent imitation that it can not be distinguished from a personally dictated letter.

"There is no quicker way to help fill up the yawning waste basket than to send out missives that fairly yell out to the reader that they are only impersonating; only imitations. The sole object of an imitation typewritten letter is to place the writer and the reader in as close personal contact as possible. If a dummy salesman were to be constructed with a wax face and a wooden body,

with an internal mechanism that would propel it into a merchant's store and a long-distance ventriloquistic system that would make it talk, what kind of a reception do you think it would receive? How productive would it be? A letter that purports to interest a business man because of its personality, but that bears every earmark of being an imitation, is a parallel to our dummy salesman."

Use the Best Materials.—"Many concerns use splendid letter-heads, envelopes, and printing for their general business transactions, and a cheap grade of stock and indifferent printing for their follow-up work. Rather paradoxical; catering to what they already have, their active customer; and slighting what they are seemingly trying to get, their prospective accounts. Would they sanction their salesmen's dressing à la mode when calling on old customers, and changing to a slovenly garb when soliciting new ones? By all means make your appeal in the best form possible; use only the best materials for your letters. To insure a favorable impression upon the reader, eliminate all mannerisms, all handicaps, so that no negative force must be overcome before the real essence of the letter is reached."

The working efficiency of any mailing list depends upon the degree of completeness with which it is kept up to date. There is not one thing in business which is so much out of place, which is such a complete loss, as a dead name on the mailing list. It is a grain of sand in a well-oiled bearing. It is worse than a baitless hook, for a baitless hook, while it catches no fish, is at least of no expense to the fisherman; but a dead name on the mailing list eats up postage with never a prospect of a nibble.

Try-outs.—Every form of letter sent out represents a considerable expenditure in labor materials and postage. It is, therefore, a very wise plan to subject each plan to a thorough "try-out" before adopting it as a form.

The method of making such a "try-out" is simple. A set of letters, usually from five to ten in number, is prepared (preferably each by a different man), all having

the same purpose. If it is desired also to test the different methods of duplicating letters, each letter should be made up by the different processes.

The selection of the names to which these trial letters are to be sent must be made with considerable care, or the results will not be of much value. As far as possible, the names on all the lists should be similarly distributed with respect to locality and business character.

As replies to the various letters come in, an accurate tabulation is made of the returns from each trial letter sent out. It will almost invariably be found that two or three letters lead strongly. The best plan is then usually to combine in one new letter what appears to be the "pulling" features of all three.

In seasonal lines the "try-out" is sometimes impracticable, as the time during which the final circular campaign is held back to await the result of the trial is frequently the most valuable part of the season. To obviate this, a plan that sometimes meets with success is that of offering some special premium or discount if the order is sent within a given period.

The use of the "try-outs" is not limited to the first letter of a series. Trial letters can also be prepared for the second, third, and even fourth letters of a follow-up series.

Talking Points.—Just what each letter in a follow-up series should add to its predecessor is a question whose answer depends so largely upon the nature of the goods sold, and the character of the buying class, that it is difficult to lay down a formula. As a general rule, however, each letter should be more personal in character and more persuasive in tone than the one which preceded it.

The first letter to a prospect, whether or not it is sent in response to an inquiry, should be thoroughly informative—full of facts and "meat." Good descriptive literature should go with it. If this letter brings no results within about ten days, the first follow-up letter is sent. This should contain any additional data of value, a summary of the "talking points," and an appeal for im-

mediate action. The next follow-up, if necessary, assumes a more personal and persuasive tone; the personality of the writer is strongly injected into it. All succeeding letters, if any are sent, follow the lines of this last. As a rule, the outside limit for the number of follow-up letters should be four, though in exceptional cases, where the amount involved is large and the prospect a valuable one, it may be worth while to use even a fourth or a fifth, perhaps even send a telegram.

Follow-up Systems.—Of equal importance with the proper preparation of form letters is their prompt and accurate dispatch at the proper time. To secure this, a suitable equipment is necessary.

The card-index is the primary essential of any follow-up equipment. A card should be made out for each prospect as soon as his inquiry is received; if it is desired also to circularize customers, or those who have once bought, cards may be provided for them. In addition, it is well to use cards of different colors for prospects and customers. As this necessitates transcribing the card when a prospect becomes a customer, some concerns employ for the prospect a card with a small projecting tab on the upper right-hand corner. When the prospect becomes a customer, the tab is cut off. If neither of these methods is desired, separate filing cases may be kept for prospect and customer.

The data to be kept on the card will vary somewhat in various lines of business. The essential features will be a record, first of the name, address, etc., second of correspondence received from and sent to him, and third the orders received from him, the last being kept, usually, on the reverse of the card.

For the purposes of the follow-up it is necessary so to file these cards that each one will automatically come up for attention on the day when it is desired to send a letter or piece of literature to the name upon it.

The simplest method of doing this is to employ the ordinary tickler file, filing each card behind the day when it is to come up for attention. This method has, however,

one very serious disadvantage. If on the first of the month a card is filed ahead to the fifteenth of the month, and meanwhile an order is received on the tenth, it is necessary to search through the entire tickler to locate the card and remove it; for, if this is not done, when the fifteenth arrives a follow-up letter will be sent to the customer, after he has already sent in his order, which is manifestly absurd.

A method of obviating to a great extent the labor incident to locating a card filed chronologically in the tickler is that of employing cards with alphabetical tabs. Each card has, in a certain position at its top, the position being different for each letter, a projecting tab bearing a letter of the alphabet. In making out the card for a prospect, a card bearing a tab with the proper initial letter is selected. When these cards are filed chronologically in the tickler file, it becomes much easier to locate any one particular card, as only those cards need be looked through which bear the proper alphabetical tab—an operation which is further simplified by the fact that all tabs of a given letter lie in the same row in the filing case.

Even so, however, this method is far too laborious for any concern running a large follow-up correspondence; and even with a small follow-up system the method described makes it impossible to employ the various other kinds of tabs, to be later described, which may be made of so much service in following-up.

The system that successfully surmounts these difficulties employs an alphabetical file cross-indexed chronologically. In this system the card, in addition to the data above described, has printed along its top at equal intervals the numbers 1 to 31. Movable metal tags are kept on hand. All the cards are filed alphabetically or geographically. When it is desired that a card shall come up for attention on a certain day, as, for instance, the ninth, a tag is attached to the card over the number 9. When the ninth arrives, all cards bearing tags over the number 9 are removed. The locating of these cards is greatly facilitated by the fact that all tags for the same day fall in a straight line in the filing case. If at any time before the

ninth an order should arrive from any one of the prospects indexed for that day, his card is immediately located (being indexed alphabetically, it can be found without trouble) and the tag removed.

Ordinarily it is not desired to file anything for attention more than a month ahead. In these cases, however, where this may be found necessary, it may be effected by the use of a tag of another color from that used to indicate the days. This tag is placed over the number which corresponds to the month of the desired date. For example, if white tags are used for days and black for months, a card would be filed to come up for attention on October 14 by placing a white tag over the 14 and a black one over the 10. When October 1 arrives all the black tags over the 10 are removed, thus indicating that all cards formerly bearing them are now in the present month.

Classified Lists.—A concern which handles a half dozen or so main lines frequently desires to segregate from its customers and prospects a list of those only interested in some particular one of its several lines. Thus a furniture house may at one time wish to circularize only those who have inquired about or bought office furniture; at another time, only those interested in restaurant furniture, etc.; while, at the same time, it desires to maintain, for reference and for general circularizing, a general customers and prospects' list. To effect this, projecting tabs are used. Each position of a tab corresponds to one class of goods; and, if desired, the name of that class may be printed on the tab. When a "prospect" card is made out, a card is selected with a tab representing the class of goods in which the prospect is interested. If at any time it is desired to circularize only the buyers interested in one class of goods, these may readily be located by their tabs, while at the same time the general alphabetical list remains unbroken.

Sometimes it is desired to reach not the buyers of one class of goods, but all the buyers of one occupation or trade. Here, too, tabs may be used to advantage, though it will generally be found inconvenient to have the tab

narrower than one-twelfth of the width of the card, thus making twelve the maximum number of classes which can conveniently be distinguished by this method.

The employment of these tabs need not interfere with the tickler indexing of the cards by movable tags, as above described; for the tags can be attached to the tabs over the proper number just as easily as to the edge of the card itself.

In some lines of business the data that can be kept on the card are too meager to enable the correspondent to direct the course of the follow-up, and the actual correspondence of the prospect must always be on hand for that purpose. Where this is the case, the correspondence of each line prospect is kept in a folder. All these folders are filed alphabetically in a separate file; but a card is made out for the prospect and indexed for tickler purposes, as before described. The plan, sometimes employed, of filing the correspondence itself in a tickler is, in the case of any but the smallest business, open to considerable objections.

Use of the Card.—When a card comes up for attention it is referred to the correspondent who, as indicated by the record on the card, is in charge of that prospect. The correspondent, by looking over the record of letters received and sent, decides upon what disposal is to be made. If merely a form letter is to be sent out, he so indicates on the card and hands it back to the clerk who attends to the mailing of form letters. In large follow-up campaigns, working with form letters and printed literature, a clerk may send out the various letters and prices in the series in order without individual instructions from the correspondent.

The proper letter or literature in the follow-up series having been sent out, the card is replaced in the file and cross-indexed under the date when it is desired to send out the next piece in the series if no order is received. In the determination of the intervals at which the various pieces in a follow-up series should be sent out, the time taken by the mails to travel should be given careful con-

sideration. A firm in New York that sets an interval of ten days for reply, between the first and second letters of its follow-up series, for prospects in New York, must allow nearly twenty days in dealing with a prospect on the Pacific Coast.

In this connection it may be well to mention that certain days of the week are especially favorable for the receipt of form letters. Form letters to get the best attention should be received by the city man Tuesday or Wednesday; by the country town man, Tuesday to Friday; and by the farmer, Friday or Saturday.

Use of Return Envelopes.—In sending out form letters the address of the sender should invariably be printed on the envelope so that the postal authorities may return all letters whose addresses can not be found. Though a few letters may find their way into the waste basket more quickly with the address of the sender on them than without, yet the trifling loss on this score is more than offset by the great gain resultant from the elimination of “dead” names from the mailing list.

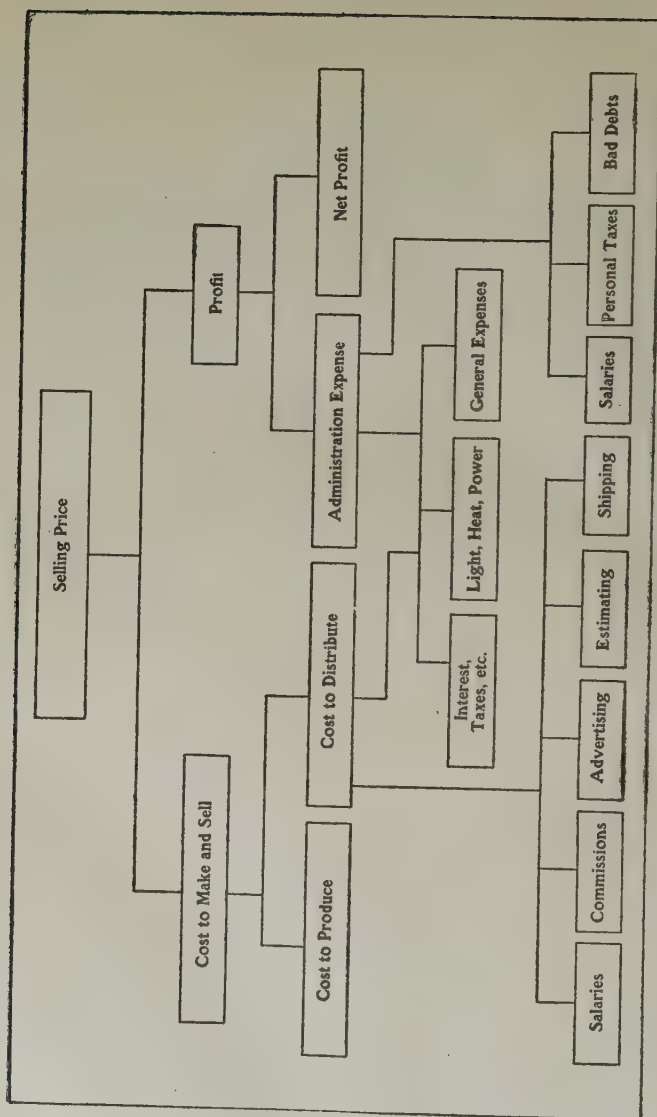
Not only prospects who can not be found by the post-office authorities, but all prospects who have failed to show any response whatever to persistent form letter bombardment, should be removed from the active mailing list. The latter can advantageously be transferred to a “dead” file and circularized once in a great while when the house has something exceptionally attractive to offer.

It may be remarked in closing that while the methods described in this article are primarily intended for use in following-up “prospects” in a form letter or other direct advertising campaign, yet some of them are readily adapted to follow-up purposes in other branches of business, such as the Collection Department.

XVIII

SELLING COSTS

Extent of Charge—Why Selling Cost Must be Separated—
1. Sales Department Space Cost.—2. Light, Heat and Power—
3. Accruals on Accumulated Stock—4. Office Expense—Stenog-
rapher's Summary Sheet—5. Salesmen's Commissions, Salaries
and Expenses—Travelers' Weekly Expense Statement—6. Ad-
vertising Outlay—7. Cost for Estimating—8. Shipping Depart-
ment Expense—9. Proportion of Administration Expenses—
Apportionment of Selling Cost—Administration Expenses—
Summary.



DISTRIBUTION OF SELLING PRICE

XVIII

SELLING COSTS

SELLING expenditure comprehends every outlay incident to the disposal of a product, and includes such items as salesmen's commissions, salaries, and traveling expenses; advertising outlay, estimating and shipping expense. It may, or may not, also include other items which will here be considered.

Extent of Charge.—The first question in the problem of selling costs is as to whether the sales division shall be charged for goods at the cost to the manufacturing division or at a somewhat larger figure—allowing the manufacturing division to claim profit. The argument for allowing profit to the manufacturing division is that since greater efficiency will be registered in a larger amount of profit, the inducement to secure better economy will be great. There are, however, but two methods by which the manufacturing division will be allowed a profit. One of these is by allowing as profit an arbitrary percentage on cost. This obviously will not register economies, for the cost is itself the basis of profit. The other of these methods is to allow to the manufacturing division as profit any amount by which it can reduce cost below an arbitrary figure. Under this plan, if there has been a reduction in wages or in the price of raw material, the economy shown by the figure of profit is misrepresented; and, therefore, the plan fails in its specific aim. But, when labor or material has become more expensive, this plan seems to blame the manufacturing management. By this method, moreover, the labor of preserving cost has been largely thrown away, for it assumes as

cost for selling purposes a figure that bears no relation to the books. The only possible method of measuring comparative economy is by comparing actual costs in different years and allowing for difference in effective wages and raw material. This the comparative cost register and the ordinary cost books make possible. Since such comparison is possible directly from the books, the effort to find a measure of economy in the profits of the manufacturing division is mere wasted energy—and sometimes worse than that, for it may misrepresent the facts. Finally, to handicap the sales division by charging it arbitrary prices is hardly fair when the selling department is in competition with other houses where this is not the practise. The conclusion is that the selling division should be charged for all goods at exact cost to the manufacturing division.

This general rule, however, is open to one notable exception, in the case of “manufacturers” who do not really manufacture, but have the goods made up on the outside. Some so-called manufacturers do not want to maintain a department devoted to making their products. They accordingly have their material assembled and give some other concern the manufacturing profit. Other bonafide manufacturers who do such work can ascertain exactly the cost of assembling, and can therefore give their producing departments a manufacturing profit, and charge the selling department with the market price paid by the other houses.

Why Selling Cost Must be Separated.—The science of costs is intimately related to the department of sales, but complete separation between producing and selling expenditures is essential. It is absolutely necessary to know first what it costs to produce goods ready for sale, and second what it costs to market them; since a factory manager may manufacture goods at a cost of production in every way favorable to most successful competition, and yet the business as a whole may not be profitable owing to the excessive selling expenditures. A separation of costs places responsibilities for two entirely dif-

ferent functions, and any changes in either manufacturing or selling conditions are quickly noted.

The principal elements of selling cost may be stated as follows:

1. Sales Department Space Cost.—This will be determined by the ratio which the space occupied by the department bears to the entire space cost of the establishment; the percentage thus obtained will be calculated on such items as Interest, Taxes, Depreciation, Repairs, and Insurance on the property used by this division.

2. Light, Heat, and Power.—A meter installed in the department will show the amount of gas or electricity consumed for lighting purposes; heating cost is charged in proportion to cubic occupancy; power, which in this instance might be for the passenger elevator serving many departments, could be distributed on a basis of the number of passengers carried.

3. Accruals on Accumulated Stock.—Many large establishments are obliged in the dull seasons to accumulate stock ready for the demand of the active seasons. We have, therefore, interest, insurance, depreciation, and taxes to figure on this accumulated stock. This is not exactly manufacturing cost, for the manufacturing division can not always make goods at the variable rate of the demand of the seasons. It must produce them when it can. It is, however, the task of the selling division to keep goods moving as rapidly as possible, and to offer such inducements as may be worth while to get them out of the warehouse in the dull season. The most effective stimulus to the selling division for keeping the warehouse clear is to charge this division with the cost of accumulating the stored stock. Though this may sometimes seem a hardship, it is unavoidable; for charging to manufacturing would to some extent nullify the careful cost-keeping, especially in the important matter of comparative costs. Some overlapping of function is bound to occur between the manufacturing and the selling di-

vision, and that is just why the need exists for a general manager, whose expenses are divided between the two divisions. It is the manager's task to determine how far the manufacturing division should accommodate itself to the varying demands of the seasons, and how far the task of accommodation shall be laid upon the selling division. Whatever cost of this sort is incurred, however, seems properly to belong to the selling division.

4. Office Expense.—This comprehends the outlay necessary for the maintenance of an office concerning itself solely with the distribution of the product, and includes such items as salaries of selling officers and assistants, printing and stationery, postage, telephone and telegrams. Although the total expense is periodically carried into Selling Costs for distribution, yet to attain the highest state of efficiency a system of costs should be maintained within the office. The relative capability of each stenographer, for instance, may be deduced from a weekly summary, similar to that on the following page:

From this summary, when properly filled out, the manager can determine the total and average cost of letters written weekly, and by comparing the results with former figures he is enabled to set a standard. The fact that letters vary in length is not an obstacle, because in the long run the average length of letters will be about the same for all. The mailing clerks should count each stenographer's mail and initial her daily report, from which the above-mentioned weekly summary is prepared. Similarly the work of each employee of the office may be recorded; bill, mail, and filing clerks noting the daily total of papers officially treated by them; bookkeepers recording the number of daily postings, etc. These daily figures are summarized in the weekly reports to the manager. Where this plan has been tried the results have been very satisfactory, and it has resulted in a sort of friendly competition and endeavor to exceed "the record." The matter of office expense has been treated here only with reference to the selling department and the cost system hinted at is only suggestive. In a busi-



Dictating to the Phonograph



Transcribing from the Phonograph

The plan of dictating letters to a phonograph, to be later transcribed direct to the typewriter, does away with the shorthand book. This method has other advantages as well as certain disadvantages. (See page 691.)

ness where the main expenses are represented by office outlays, the value of comprehensive cost keeping is obvious.

STENOGRAPHER'S WEEKLY SUMMARY SHEET

Week ending19....

Department		Number of Letters Written								
Name	Weekly Salary	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Total	Average per day	Average per dollar
Total....										
Average per day.....										

5. Salesmen's Commissions, Salaries, and Expenses.—These items constitute a considerable part of the expense of selling. Detailed expense accounts should be mailed weekly to the home office by the salesmen. Blanks arranged with columns for constantly recurring items

should be provided for this purpose; the following is an illustration:

TRAVELERS' WEEKLY EXPENSE STATEMENT

Week ending.....19....

Name		Paid		Voucher No.			
Day	Mile- age	Towns Visited	Hotel	Meals	R. R.	Enter- tainment	Miscel.
Sunday.....							
Monday.....							
Tuesday.....							
Wednesday....							
Thursday.....							
Friday.....							
Saturday.....							
Total.....							

It is usual to open an account with each salesman, and to maintain a careful record of the sales in his territory. The records should show also the ratio of sales expense to each dollar of product distributed, and the relative worth of each salesman and the territory traversed by him.

6. Advertising Outlay.—The disposition of this factor requires a knowledge of the circumstances under which the expenditure was incurred. It is at one time an investment and at another an expense. For example, several thousand catalogues may be printed for a concern; these should be carried as an inventory item to be charged in proportionate amounts, as distributed, to expense. Again, in order to place itself prominently before the public, a concern may spend during its first year a large sum for advertising, the benefits of which may not immediately accrue, but which item is nevertheless a factor in the future sales; it would be manifestly unfair therefore to charge the entire amount against the first

year's business. It is worth while to note, also, that some advertising costs may not be exhausted in the year of occurrence. An advertising campaign may have a duration of several months or years and at its close a large item of recourse may remain in a form similar to "good-will"; in the sale of the business this would have to be acknowledged. In charging off advertising expense, therefore, a medium ground is advisable. A certain percentage of general advertising is an expense and chargeable as such; the remainder goes toward the purchase of good-will, an asset of the business.

7. Cost for Estimating.—A selling cost likely to be overlooked is that of the estimating department. In some businesses considerable money is expended in working out specifications and submitting proposals which do not result in a sale; this is as much a selling cost as the traveling salesman's expense, and such items should be kept in an account by themselves and later charged in total to Selling Costs; when a sale is effected the expense connected with the preparation of the plans and specifications is charged against the individual job. The conditions above apply to cases where the proposals in question are for special work, and can not be used again. If, however, the estimate and drawings are to be utilized for future work, they should be considered a part of plant equipment and are properly chargeable to this account.

8. Shipping Department Expense.—Under this head would be charged such items as wages of the shipping clerk and assistants, all shipping materials, and any other expenditures incident to the preparation of the goods for delivery.

9. Proportion of Administration Expenses.—This represents a charge for supervision, and, as each administrative officer should keep a record showing the disposition of his time, the amount chargeable to each department is readily ascertained.

Apportionment of Selling Cost.—Some selling expenses may, however, apply more strictly to one item than to another. For example, if any article ceases to be advertised, yet continues to sell on its reputation, the advertising expense charged to its cost should be slight. If, again, a few articles are placed upon exhibition, the cost of the exhibition should be charged chiefly to the particular article shown; in the latter case, however, the entire cost should not be borne by the articles in question, as the publicity gained from the exhibition will probably cause a demand for other products of the firm. In the final distribution of selling expenses certain costs will therefore be assigned to particular classes of sales, and the remaining selling costs will be distributed over all classes on a percentage basis, which is obtained by dividing the total general selling cost by the total manufacturing cost. This percentage is then distributed among the several orders or classes of production on a basis of their manufacturing cost which has been previously determined.

A distribution sheet should be maintained to show the ratio of the percentage, the expense each department bears to the entire expense, and from this record the manager can determine whether the selling prices are profitable or not. For instance, if the distribution sheet shows that it costs about 12% of the selling price to dispose of the goods and at that rate a fair profit is possible, the business will be on a safe basis as long as that rate is maintained, but should a period of depression set in, or sales fall off in anything like a permanent manner, the selling cost percentage will immediately increase. It is in enabling the management to reduce expenses without affecting the efficiency of the various departments that the distribution sheet is valuable.

The percentage can be applied to any individual item after it has been manufactured; for example, the cost of raw material might be 60 cents, productive labor 95 cents, and manufacturing or indirect expense 95 cents, thus making the total cost of production \$2.50. Assume the selling cost of 12% of the sales price which shall be stated

at \$4.00. If the selling expense of 48 cents be added to the cost of production, *i. e.*, \$2.50, the cost of the article sold reaches \$2.98, leaving a trading profit of \$1.02, from which must be deducted its proportion of administration expense in order to arrive at the net gain of the transaction.

Administration Expenses.—While the manufacturing and selling divisions are engaged in working out their problems it remains for another department to control both, finance the establishment, and keep in touch with business conditions generally. These are the functions of the administrative department. Many of the expenses which it incurs may be traced to some particular process or department, and these are accordingly distributed and duly calculated in the producing or selling costs; the remainder, which are general in character, must be considered when the net profit on sales is calculated. Among the latter are:

1. *Proportion of interest, taxes, depreciation, repairs, and insurance* on the property used. This cost, however, can be made selective.

2. *Light, heat, and power* consumed by this department.

3. *Taxes on personalty*, which represent the annual levy by the State on capital invested; they do not include taxes on real property, which are already included in Item No. 1.

4. *Officers' salaries*; the balance remaining after all time spent in supervision has been charged to the proper departments.

5. *General office expenses*, including: Office salaries, printing and stationery, postage, telephone and telegraph, and miscellaneous items.

6. *Bad debts*. This would seem to be a just charge against the Administrative Department, because all orders are filled by the Selling Division only after the former has passed upon them; it would seem unfair therefore to charge any loss for uncollected accounts to the Selling Division.

Summary.—We have finally, then, for every article manufactured a certain specified list of items which enter into its selling price. They may be summarized as shown in the chart at the head of this chapter. An analysis of these items gives that which the business man wishes to know, namely, the cost of manufacturing and selling, the selling price, and the profit.

XIX

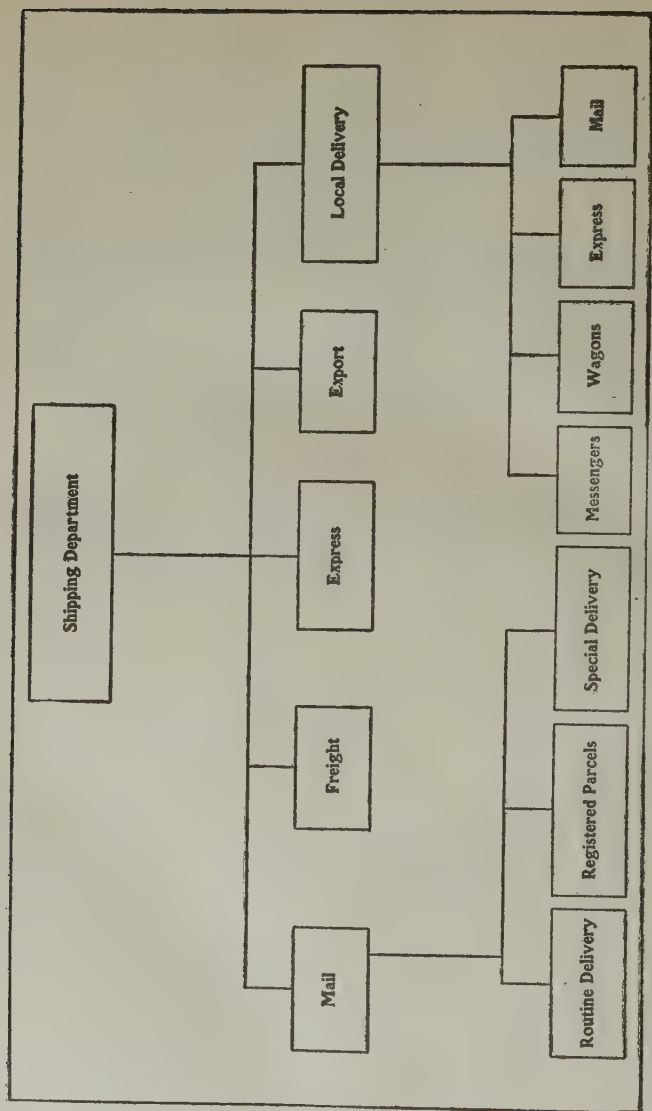
SHIPMENTS AND RETURNS

1. DELIVERY OF GOODS

An Important Factor—Filling the Order—The Back Order—Checking Up Orders—The Shipping Department—The Traffic Manager—The Shipping Clerk—The Question of Routing—Files—Methods of Distributing Goods—1. By Mail—2. Retail Delivery—Delivery Tags—Unsuccessful Deliveries—C. O. D. Deliveries—Special Deliveries—3. Shipping by Freight—Classifications—Class Rates—Commodity Rates—Freight Tariffs—Freightage Claims—Regulation of Rates and Traffic—4. Shipping by Express—5. Export Shipping—The Canny German Exporter.

2. CLAIMS AND ALLOWANCES

The Claim Department—Classification of Complaints—Claim Record, Filed with R. R. Co.—The Bookkeeping of Returns and Allowances—Form for Goods to be Returned—Returned Goods Register—A Source of Fraud.



METHODS OF SHIPMENT

XIX

SHIPMENTS AND RETURNS

I. DELIVERY OF GOODS

THE three direct elements concerned with traffic in goods are selling, delivering, and collecting; and of the three, delivering is quite as important as the other two. The prompt and efficient delivery of goods can build up a successful business just as certainly as unsatisfactory methods in this department can ruin it. While, viewed from within, an immense amount of money can be either wasted or saved, depending entirely upon the efficiency of the department itself.

An Important Factor.—"Careless order handling doubtless causes more trouble and expense in large concerns than any other preventable cause," says J. B. Hover. "The order system may be developed to a point where further improvement seems impossible, and yet notwithstanding, errors, great and small, will occur and pass unnoticed. Jones receives the wrong goods. Brown claims that his last order was not routed as he specifically directed, resulting in his having to haul the goods ten miles. Smith complains because he has again received the wrong sizes, claiming shortage as well, and Thompson writes sarcastically asking if we are ever going to pack and bundle his goods as he wants them. An order follows its routine way through the various departments, apparently carefully handled and checked, and is nevertheless executed with errors undetected. This is due, in the first place, to the fact that the best order system in existence can not and does not prevent errors due to carelessness or negligence of employees, and, in the second place, to the

further fact that it is often impossible to place the responsibility on the one at fault, since entries are usually made and orders handled by more than one employee at each stage."

Under these conditions a method of checking every order, which permits the placing of responsibility for negligence and errors where it rightfully belongs, must be considered invaluable, as inevitably reducing both the number and the seriousness of errors, as well as promoting efficiency.

Filling the Order.—In the course of executing an order, just where does the process of shipping begin? This varies according to the character and size of a business. In the retail business, the first step in the shipping process is taken by the salesman himself at the moment he makes the sale. Again, in many concerns the shipping-clerk oversees the stock department and thus the filling of orders. The shipping-clerk will assuredly get the blame if any blame is coming from the customer, for it is his business to see that goods ordered are gathered together and shipped precisely according to the order and in such a way as to be delivered in good condition at the other end.

The actual assembling of the stock comprised in an order is the work of the stock department. The process should be executed on the day the order is received, and with all the speed which comes from thorough system. If there is no system in the stock-rooms, the business may as well come to an end at once. In a large jobbing house where there is generally more than one stock-room—perhaps a room on each of several floors—the entire order may be sent successively to all the floors. If this is done at one time of day, or all the orders begin at a certain floor, there will be periods of rush followed by periods of idleness in all the stock-rooms, and great congestion will result in the shipping-room toward the end of the day. This can be obviated by breaking up the orders into sections corresponding with the departments where they are to be filled, so that the work of filling

orders may be properly distributed, and proceed systematically all over the establishment.

The Back Order.—It frequently happens that some items in the order will be out of stock. Either of two courses may then be followed. The order may be filled out as fully as possible and held until the missing items are obtained in stock, or may be shipped incomplete and the remaining items may be shipped subsequently. All items short are entered on a fresh order which is called the back order. Two copies of this are made, one for the office, which is used in following up the shipment of the order, and the other for the shipping-clerk, who must be notified at once when the required articles are received again in stock.

Checking Up Orders.—The most effective preventive of errors in the filling and shipping of orders is, of course, a thorough checking system. If checking is done in a really complete way, complaints from customers of shortage ought to be very rare and very difficult to back up with proofs; though of course the shipper generally prefers to lose goods through unjust claims than lose his customer. Checking should accompany the assembling of goods, their forwarding to, and reception in, the shipping-room. But the most important moment is that in which the goods are actually boxed. At this time the packer should call off the goods as he packs them, and they should be checked against the customer's order. It is a very good plan to insert in each packing-case a slip bearing the name or initials of the packer, to be returned by the customer with any claims he may make. When a house ships over many different railroads, there should be a careful system to prevent packages being delivered to, or shipped over, the wrong line.

The Shipping Department.—The relation of the shipping or "traffic" department to the business as a whole has already been outlined in the chapter entitled "*Office System and Management*" (p. 239). But the actual con-

duct of this important branch requires further consideration. Depending upon the size of the business, shipments will be under the charge of a traffic-manager or shipping-clerk, with various assistants, such as stock men, truckmen, packers, drivers, etc.

The Traffic-Manager.—The old-fashioned idea of shipping and traffic in relation to a business house was a matter of simple routine. Now business men have come to see how greatly it involves judgment, tact, and above all information, and any house large enough to subdivide the responsibilities of the business employs a trusted traffic-manager as well as the shipping-clerk. Rates and routings are, in fact, a very important and significant branch of business science. On them depends largely the extent to which new markets can be created. Where several towns are competing for the trade of some remote region, success is going to fall to the town, or the factory in the town, which has figured out the cheapest rates and routes thither; for the expense of manufacturing the same article in two different factories may be practically the same, while the manager of one factory may discover a cheaper method of delivering its goods which will enable it to win in the race.

The traffic-manager should examine the tariffs of all lines into the territory he wishes to reach, and should speedily discover which line, because of cheaper rates or quicker time, is entitled to his patronage. He will also look up similar details in relation to every town with which he is in competition. All this information should be recorded for constant reference. This detail appears to be simple enough until we realize that rates to a given point must not be computed simply from the railroads which lead directly to it. It is often more advantageous to combine two or three separate lines. Between certain immediate points on a side line, rates for a given commodity may be unusually low. It may even be cheaper, in some cases, to ship goods beyond their destination and have them returned by another route. In fact, the combinations connected with routes and rates are little short

of infinite; and the more time given to them, the more money will be saved, and the more possibilities will arise of creating markets and of getting on the ground ahead of competitors.

The Shipping-Clerk.—Although the probability is that most concerns of any considerable size lose every year in overcharges more than would pay the salary of a man to prevent them, not every house can afford to have both traffic-manager and shipping-clerk. Where this is the case the shipping-clerk becomes much more than a director of routine. He must then be initiated into the traffic problem and must realize that he is not merely placed in charge to prevent loss, but that he has unusual opportunity to aid the actual expansion of the business. In his capacity as director of the shipping routine the shipping-clerk must oversee the packing and description of shipments with an eye to gaining the lowest classification possible for his goods. He may also be the stock-clerk, charged with filling the orders. He must have an adequate system for checking goods at every stage of the process, to make certain that exactly the goods ordered, no more, no less, nothing else, have been shipped in a given order. His staff will consist of stock men to fill orders, packers and checkers, according to his needs and the size and consequent complexity of the business.

The Question of Routing.—One of the most complex and scientific matters with which the traffic-manager has to do is that of routing shipments. Routing has its effect not only upon the rates but upon the speed of shipment and other items. One route to a certain city may be longer than another and the rate will consequently be different. Of especial importance is the question of routing when the goods are sent at commodity rates, for here special roads have special rates which other roads do not have, and the traffic-manager must know which road favors his commodity and favor it in turn. He must also know the basing points in the region whither he is sending shipments. The basing points are certain important

points in each territory comprehended by a classification, upon which the rates are based. Class rates in the same classification territory are the same on all roads, but between two of the three classification territories rates are apt to vary from the different basing points. It is often possible in choosing routes to do the customer a good turn—and this is always a wise thing to take pains to do. If the rates are the same between two routes, it may happen that the customer has side-tracks from one road to his premises; or the freight yards of one road may be nearer the customer than those of another, and accordingly he can be saved expense in cartage if the nearer has been chosen. It would be wise to make note of all such points.

Files.—The traffic-manager will find it necessary to maintain in his department a pretty elaborate system of files. He must have a card system to index his freight tariffs. This card system should record, in each case, the name of the railroad, the officer's name from whom the tariff was obtained, the railroad number of the tariff and what commodities and what points it embraces. It must keep record also, in connection with these items, of any railroads issuing tariffs, and also of any tariffs or rates applicable between railroads. Another file which will be found of convenience is a condensed schedule of the rates applicable in the definite, restricted district to which the greater part of the concern's operations are confined. This will obviate the consulting of the complicated tariff files whenever a rate is required. Again, a file should be kept of all commodity rates applying to any portion of the goods dealt in, and there should also be in the office an index, conveniently on cards, showing the classification of all articles which the concern ships. These files, which are really indispensable, are difficult to arrange and complete at the outset; but once in good shape they can be easily kept up to date.

Methods of Distributing Goods.—There are five general channels for the delivery of goods, as follows:

1. By mail.
2. By personal or retail employees.
3. By freight.
4. By express.
5. By export lines.

1. **By Mail.**—Little needs to be said in regard to the merits or demerits of this popular method of sending small parcels. The use of the mails, however, is limited in this country as compared with Europe, where the parcels-post, permitting larger articles and cheaper rates, has been firmly established. In America the mails have been closed to all parcels weighing more than four pounds, with the result that the express companies have monopolized the business of public carrier. Their rates, based upon distance as well as weight, are far in excess of a uniform Government rate which would be the same for all distances covered. Other abuses have been charged against the private companies; and the fact that their traffic may be tied up by strikes, as was the case in the fall of 1910, in New York, has augmented the popular demand for a parcels-post. A bill has recently been introduced into Congress providing for this system.

At present, however, the United States Post-office Department recognizes four classes of mail matter, viz.: (*a*) First-Class Matter, chiefly sealed letters and postal cards, at two cents per ounce or fraction thereof; (*b*) Second-Class Matter, which includes all newspapers and periodicals which have complied with certain regulations, at one cent a pound or fraction thereof; (*c*) Third-Class Matter, which includes books, circulars, prints and the like, at one cent for each two ounces or fraction thereof; (*d*) Fourth-Class Matter. As it is the last-named class which chiefly interests persons and firms engaged in shipping, we will quote from the official regulations in this regard:

"Fourth-Class Matter is all mailable matter not included in the three preceding classes, which is so prepared for mailing as to be easily withdrawn from the wrapper

and examined. It embraces merchandise and samples of every description, and coin or specie.

"Rate of postage: One cent for each ounce or fraction thereof (except seeds, roots, bulbs, cuttings, scions, and plants, the rate on which is one cent for each two ounces or fraction thereof). This matter must be fully prepaid, or it will not be despatched. Postage must be paid by stamps affixed, unless 2,000 or more identical pieces are mailed at one time, when the postage at that rate may be paid in stamps or money. New postage must be prepaid for forwarding or returning. The affixing of special-delivery ten cent stamps in addition to the regular postage entitles fourth-class matter to special delivery.

"Articles of this class that are liable to injure or deface the mails, such as glass, sugar, needles, nails, pens, etc., must be first wrapped in a bag, box or open envelope and then secured in another outside tube or box, made of metal or hard wood, without sharp corners or edges, and having a sliding clasp or screw lid, thus securing the articles in a double package. The public should bear in mind that the first object of the department is to transport the mails safely, and every other interest is made subordinate.

"Such articles as poisons, explosives, or inflammable articles, live or dead animals, insects, fruits or vegetable matter liable to decomposition, or substances exhaling a bad odor will not be forwarded in any case.

"Firearms may only be sent when it is apparent that they are harmless.

"The regulations respecting the mailing of liquids are as follows: Liquids, not ardent, vinous, spirituous, or malt, cocain or derivatives thereof, and not liable to explosion, spontaneous combustion, or ignition by shock or jar, and not inflammable (such as kerosene, naphtha or turpentine), may be admitted to the mails for transportation within the United States. Samples of altar or communion wine are mailable. When in glass bottles, such bottles must be very strong and must be enclosed in a metal, wooden or papier-mâché block or tube, and there must be provided between the bottles and the block or

tube a cushion of cotton, felt, or other absorbent. The block or tube must be of sufficient strength to resist rough handling and support the weight of the mails piled in bags. If of wood it must be at least three-sixteenths of an inch thick in the thinnest part; if of papier-mâché it must be at least five thirty-seconds of an inch thick for bottles holding from two to four ounces, and at least one-eighth of an inch thick for bottles holding two ounces or less. The block or tube must be rendered water-tight by an application of paraffin or other suitable substance, so that if the bottle be broken in transit the liquid will not escape, or the tube become softened and allow the broken glass to be scattered in the mails. When enclosed in a tin cylinder, metal case, or tube, such cylinder, case or tube should have a lid or cover so secured as to make the case or tube water-tight and should be securely fastened in a wooden or papier-mâché block (open only at one end), and not less in thickness or strength than above described. Manufacturers or dealers intending to transmit articles or samples in considerable quantities should submit a sample package, showing their mode of packing, to the postmaster at the mailing office, who will see that the conditions of this section are carefully observed. The limit of admissible liquids and oils is not exceeding four ounces, liquid measure.

"Limit of weight of fourth-class matter (excepting liquids and single books), four pounds.

"The name and address of the sender, preceded by the word 'from,' also any marks, numbers, names, or letters for the purpose of description, such as prices, quantity, etc., may be written on the wrapper of fourth-class matter without additional postage charge. A request to the delivering postmaster may also be written asking him to notify the sender in case the package is not delivered."

2. Retail Delivery.—In the retail trade, delivery is made almost exclusively direct through employees of the store, and a very considerable proportion of all the goods sold have to be thus delivered. Comparatively few customers take their purchases with them; although in this respect

different kinds of houses differ greatly from each other. In a large store, such as a department store, the number of packages which have to be delivered within a few hours of their purchase is immense, and there is hardly any other phase of trade in which rigid system is so indispensable. With a proper system, however, the process becomes simple enough.

Delivery Tags.—The salesman or saleswoman begins the shipping process by making out the delivery tag, thus assuming responsibility for the correctness of the address. Where the store has customers in more than one section of the town, a good plan is to have tags of different colors, each color representing a separate district—as blue for the West side, green for the East side, etc. This greatly facilitates the sorting of the great number of packages in the shipping room. The delivery tag should have complete details, of name, street address (near what thoroughfare), and name of salesman and inspector. The label is then despatched to the packer with the goods and is pasted on the final package.

When the goods arrive in the shipping room they are placed in one or other of several bins or floor-divisions, each of which represents a district or delivery route of the city. It is in the sorting into these divisions that the colored label hastens the process so effectually. These divisions are subdivided according to the number of the delivery wagons and the extent of individual routes. C. O. D. deliveries are docketed in a separate set of divisions.

The deliveries are next entered upon delivery sheets, of which each delivery man has a book. These sheets, kept in duplicate, contain spaces for the name and address of the customer, the driver's name, the number of packages, and a place for the receipt signature. In many businesses, as those where the merchandise has itself no great value, the receipt signature is omitted. There is also a space on each sheet for calls made by the delivery man for goods to be altered, returned, or other special memoranda.

Unsuccessful Deliveries.—Very often deliveries are unsuccessful. The delivery man finds nobody at home and is unable to reach trustworthy neighbors with whom to deposit the goods. The package must then be returned to the store. If the customer does not inquire, he should at once be notified by mail.

C. O. D. Deliveries.—In the case of C. O. D. deliveries the process up to the shipping-room is the same as in a cash order, except that a special tag is sent to the C. O. D. clerk and the duplicate sales ticket to the auditor. C. O. D. packages are sorted into separate bins and recorded in a separate delivery book, differing from the regular book only in providing a column on the sheets for the amount to be collected. The C. O. D. tag has a stub duplicating the information as to address, etc., of the main tag. The delivery man keeps the stub on delivery, and signs the tag and gives it as a receipt. He returns the stub with the money to the office, and his returns are checked from the duplicate copy of his delivery sheet.

Special Deliveries.—In many cases a special delivery has to be made. For one reason or another goods are wanted at once and the regular delivery routine has to be dispensed with. A boy must be specially despatched. A tag with a stub duplicating its information is, in such cases, fastened to the parcel, and the stub is removed and despatched to the shipping-clerk, who is prepared and on the lookout for the parcel as soon as it comes through.

3. Shipping by Freight.—Since the Interstate Commerce Law, the granting of discriminating rates and rebates has become illegal, and the only advantages a shipper is now able to gain over his competitors result from greater care and study of the tariffs and classifications. One route is often very much cheaper than another route to the same destination, because in one case the lines are more indirect, the distance of transportation greater, and consequently the rates higher.

Classifications.—The first thing a shipper must have is a knowledge of the freight classifications. There are three chief classifications, the *Official*, controlling the Eastern States, with offices in New York; the *Western*, governing the Western States, with offices in Chicago; and the *Southern*, with offices at Atlanta. There are also a number of minor classifications applying to the local traffic of certain States. Classifications have to be local to some extent, answering to different railroading and trade conditions, and the object of those who frame the classifications is to strike a fair average that will have the best results in the country at large. Weight, value and bulk all affect the classification of goods. Very often classification is determined by the description of the article in the shipping bill; therefore the shipper should study how to describe his article to obtain the lowest rates. For instance, lawn-mowers might go under the classification of machinery, or under that of garden tools, and both be perfectly correct and honest, while the rates on one classification might be very much lower than on the other. If he actually misdescribes it he is liable to get into trouble, for the railroad inspectors are on the lookout for such offenses and the laws are explicit and severe against it.

The shipper should know this and describe his goods accurately, yet in the most favorable manner he can. It will sometimes prove more favorable to describe goods by a general term than by a specific term.

Class Rates.—Classification is determined also by the manner of packing, and the rates are often higher for goods crated than goods boxed. An extraordinary number of perfectly legitimate devices can be taken in packing to secure favorable rates. Articles can be broken into parts, the parts shipped in different classes, and the same article may be described with one of several different names, perhaps all of which fall under different classes.

The classifications are of six kinds, called classes, and upon them the class rates are based. Where rates apply between points situated in different States, the schedule

has to be submitted for approval to the Interstate Commerce Commission.

Commodity Rates.—There is, however, a second variety of rates, called *commodity rates*, issued by railroads over whose lines they apply and to meet special conditions. A commodity rate applies to a special class of freight passing between two definitely stated points. They are special rates only in the sense of applying to certain kinds of shipments, but not to the shipments of any one house. The main considerations of commodity rates are: the value of the articles concerned, and the volume of the traffic between given points. The class rates, being governed by the law, take no recognition of the individual volume of traffic as a factor in the determining of rates. This, of course, the commodity rates, being local, are able to do. If a certain commodity has an unusual output in one locality and an unusual market in another, the rates for this commodity must differ from those that apply between points where neither the output nor the market of this commodity is large. The value of the article is also a factor in determining the rates. Necessities like lumber, sugar, etc., obtain low rates. Also where there is a strong competition by water routes, the railroads make use of commodity rates in order to gain a reasonable share of the traffic business. Let us suppose that a manufacturer of office desks in St. Paul, wishing to market his wares in St. Louis, discovers that the class rates on his commodity are prohibitive. He succeeds in obtaining a commodity rate between these two points. Shortly afterward, another manufacturer between St. Paul and St. Louis wishes to market his desks at some point below St. Louis. If he has watched the rate schedules carefully, he will have discovered that between his own town and St. Louis commodity rates apply and he will save a considerable amount in freightage if he has this information.

But the question of rates is immensely complex. There are more than fifteen hundred railroads in the United States, and each one has its own individual schedule of

commodity rates. Some railroads have separate tariffs running into the thousands. There is no complete file of all tariffs, and the individual manufacturer has to keep track of rates applying to his own commodity at the various points where he does business.

Freight Tariffs.—Two copies of every freight tariff are placed on file, in accordance with the law, for public inspection at every freight office. Moreover, the railroads are ready to supply shippers with all tariffs applying to their commodity. The tariff-manager should, however, not content himself with obtaining tariffs merely from the place of shipment, for often he can take advantage of commodity rates which apply between other points which coincide with part of the territory he wishes to cover, and thus may obtain reductions on portions of his own routes.

Freightage Claims.—Every business man who fills orders by freight finds it necessary to make a greater or a less number of claims against railroads for damages, overcharges, and other ills that befall traveling merchandise. The handling of these falls to the traffic-manager, if there is one, and it is one of his duties which calls for the greatest promptness and patience, and the greatest amount of tact in letter writing. The routine of submitting a claim is as follows: A bill is made out against the railroad for the whole sum demanded. This is attached to the freight receipt and sent off with a letter explaining all the facts of the case and forming a basis for the claim. All possible information should be given both at this time and in the event of further inquiries from the claim agent of the railroad. The claimant must be persistent and follow up his claim actively, but he must remember that there are certain reasons for legitimate delay. The railroad has an enormous number of claims to handle. Then, too, every shipment is pretty sure to have passed over more than one railroad, and the claim has to be lodged properly and adjusted by the railroads between themselves. The claim has to be investigated,

so to speak, along the whole length of the line. In the claimant office all the correspondence relating to each claim should be filed away together and a summary record of its complete history should be kept.

Regulation of Rates and Traffic.—The “Act to Regulate Commerce” which was approved by the United States Congress, June 29, 1906, amending the Act of 1887, should be in the hands of every shipping clerk and traffic manager. Important clauses therein relate to the filing of rate schedules, on the part of the railroads; unjust discrimination; rebates; hearing of complaints; establishment of routes and rates; and the building of private switches to one’s own plant. The last point, for example, is quite important in facilitating shipment as well as making it more economical.

4. Shipping by Express.—Much of the complexity of freight shipping is obviated in the quicker, easier, but more expensive method of express shipping. The latter is more general in the case of commodities of a comparatively small size. When an order—generally a mail order—has been investigated and credited, the first detail in the order of shipping is that of routing.

This is done by means of a Postal and Express Shipping Guide, which contains the name of every post-office in the United States and every express company reaching any given point, or the point nearest thereto. The name of the express company is entered on the order, which falls next to the billing clerk. A shipping order is made out, giving full particulars, in carbon duplicate, of the article to be shipped, with the names of all clerks through whose hands the order has passed. To this a label is attached bearing the name of the express company and the name and address of the customer to whom it is to be sent. The order is entered on the shipping sheets obtained from the express company. Shipping sheet, order, and label are then despatched to the packing and shipping department. When it has served its purpose for checking off the goods, the order is returned to the cor-

respondence files, and the details of the time and manner of shipping are recorded upon it.

The express company gives a receipt for all goods delivered into its hands, thus becoming responsible for its prompt and safe delivery. A valuation should be placed upon the parcel, which forms the basis of claim against such company, in the event of damage or non-delivery.

5. Export Shipping.—In shipping goods abroad, the exporter must bear in mind that every detail of the process must be carried out with a full understanding of trade conditions in the country dealt with. What are its customs regulations? What is its traffic development? To what conditions are the goods to be subjected in transit? All these questions will affect the manner of packing, the choice of routes, and the arrangement of the necessary documents. The American shipper is too much inclined to ignore these essential facts and to send off his goods after his own fashion, without the slightest regard to the wishes and necessities of his customers. Hence he is very apt to lose foreign customers, and hence also the disaster and loss both in money and in prestige which too often follow American trade in other countries.

The shipper must realize at any cost that practically every detail of his business is different in foreign trade from what it is in domestic trade. The way to keep customers is to follow their wishes, even their whims where it is possible; because some apparently exacting detail about packing may be made necessary by some condition in foreign trade of which the exporter is not likely to be aware. Goods must be packed with a full realization of the strain which they will be subjected to, stowed away many tons deep in the hold of a ship, and perhaps soaked with sea water. Such things can and must be provided against. The invoice must be specific and complete, containing an exact description of the goods. Goods for foreign countries should be packed in small boxes; for once they have arrived, the transportation con-

ditions abroad will probably make small boxes more convenient to the customer than large ones.

The Canny German Exporter.—The American exporter can consider the ways of the German exporter and be much wiser than he is now. With the German, foreign trade is not only a serious business but profitable as well. He brings cleverness and skill to his selling, and ingenuity in dealing with the complex methods of the foreigner. For instance, some of the Latin-American republics, being in a chronic state of insolvency, look to the customs for their important source of income. They tax everything possible, and even go so far as to include in the duties the boxes or crates in which imports are packed. The American exporter pays this duty on gross weight, but does the Teuton? Not so you would notice it. A writer in "Collier's Weekly" tells the following anecdote:

One of our consuls, recently returned from Venezuela, reports that, while visiting the landing wharfs in La Guayra one day, he noticed several peons carrying from a German steamer a large package so flimsily crated that his attention was instantly attracted. The package was wrapped in thin burlap, incased in a slender framework of wood. The consul sought enlightenment from the comprador.

"What is in the package?" he asked.

"Hats from Germany, señor," was the reply.

"But surely," pursued the consul, "the Germans do not pack like that. Such a crate would not stand a voyage on a canal boat, let alone on an ocean steamer."

The comprador led him to the steamer and pointed to a pile of heavy broken boxes lying in the hold.

"There were many cases of hats," he explained, "and each contained a crate like that you have seen. The crew of the steamer removed the heavy outer case in the hold and carried the hats ashore in the light inner covering."

The American consul did some rapid calculating and found that the astute German exporter had saved the tariff on at least twenty-five pounds of useless wood in

each case. As the Venezuela tariff charges a duty of 20 bolivars (\$3.80) per kilogram (2.2 lbs.) this meant a total of \$43.17 on each crate of hats, a tidy economy when profits are small.

The consul learned that this was a common German practise in all gross weight goods, and also that American exporters either did not know of the wrinkle or were not able to persuade steamship crews to do the work for them. In any event, American trade suffered materially in competition with the German.

2. CLAIMS AND ALLOWANCES

By the phrase "returns and allowances" is meant the sending back of goods which are not in accordance with the terms of purchase, and the claim for a money credit equivalent to the charge made for the goods repudiated.

The Claim Department.—In every line of manufacturing or mercantile pursuit disputes due to errors or accidents in the receipt and delivery of merchandise are constantly encountered. An order may be erroneously filled; there may be imperfections of manufacture; shipments may reach the consignee in a damaged condition; or the goods may be delivered too late to be of use to the customer. The protests from these and numerous other causes have led concerns whose transactions attain a sufficient degree of magnitude to install a department the function of which is to adjust all complaints. Dealing directly with customers who feel they have a grievance, this division, capable of incalculable harm if improperly conducted, must be under the supervision of some tactful person skilled in the arts of diplomacy, possessing a thorough knowledge of the business, and expert in correspondence technique.

In a retail business the adjuster comes into personal contact with the complainant, and is therefore in an advantageous position to effect a satisfactory result, as the appearance and manner of the claimant will aid him in determining the justice of the customer's demand and

method of settlement. Most of the claims for returns in wholesale lines, however, come in cold type, and it is in the disposition of these that the efficiency of the department is tested. Oftentimes the information given by the customer's communication is most meager; the letter is written in an aggrieved and perhaps a petulant tone and threatening all sorts of dire happenings if an adjustment is not speedily consummated.

The complaint manager must deal with these dispassionately, and it is his duty to bring the customer to a more conciliatory frame of mind even though the facts force him to decide against the claim; for it is a well-known fact in the business world that a disgruntled customer is the worst kind of advertisement.

A concern returning goods should state all the facts in the matter—the exact shipment, when returned, how returned, and for what reasons. Printed forms should be prepared and numbered consecutively, a duplicate in another color being retained for the complainant's file. Such a form would read as follows:

FORM FOR GOODS TO BE RETURNED

No. 1400

New York.....19..

M.....

.....

Dear Sir:—

We return to you to-day Via.....
the goods mentioned below, which were received.....19..
on our Order No.....

Reason returned

Goods:

.....
.....

Please render us credit memorandum promptly, and oblige,

Yours very truly,

X AND Y Co.

Classification of Complaints.—According to the causes from which they arise, complaints may be divided into three classes:

1. Those due to the negligence of employees of the defendant.
2. Those arising from errors of employees of complainant, and
3. Those over which neither party has control.

If the first class is a large one, a thorough investigation is in order. A system should be installed whereby complaints are sorted as received, investigated, and the causes tabulated; thus errors may be traced to the sources from which they emanate, and the individuals at fault called to task. This plan will also reveal the relative efficiency of each clerk. In this connection the advisability of a separate department for complaints is apparent, as being independent of the interests of any particular department, and the adjuster can, without fear or favor, place the responsibility just where it belongs.

In handling the second class of complaints the tact of the adjuster is in demand to prove, not the negligence of the complainant, but the blamelessness of his own firm.

The third class comprehends delays in delivery or damage of goods by railroads, express companies, and the postal service. This class is perhaps the most frequent source of trouble and one of the hardest to adjust. The burden then rests upon the shipper to prove that the goods were packed properly, addressed correctly, and shipped promptly.

With the immense freight-carrying business of the railroads it is not surprising that frequently portions of shipments miscarry and a shortage or a damaged consignment is reported by the customer. The procedure in cases of this kind is for a consignor to notify the railroad company to which the goods were confided. This is done by means of a claim record prepared from a dray-ticket on which is detailed a full description of the goods receipted for by the agent of the carrier. The railroad company then investigates the matter and, after thorough tracing, an adjustment is made.

CLAIM RECORD FILED WITH R. R. Co.

.....R. R. Co.

X AND Y Co.

Claim for.....	Amt. of Claim.....
	Amt. Paid.....
Date of Claim.....	Date Paid.....

On shipment.....	Wt. Chgd. Wt. should be	Rate	Amt. Paid \$ Amt. should be \$
From	When paid credit.....	Rate	
To .....	.....		
Bill of Lading dated.....	.....		
Consignor .....	.....		
Consignee	Sundry losses.....		
W. B. No.....	.....		
Car No. ....	.....		
Expense Bill No.....	.....		
Date .....	.....		
.....			
Papers to	Remarks		

X AND Y Co.

Per.....

Pending the action of the complaint department, the merchandise returned, properly marked, will remain in the receiving department or in a separate section of the warehouse. Assuming the claim to be just, the receiving department will be instructed to enter the goods and distribute them to the proper departments. Care should be exercised that this class of merchandise does not accumulate, or that a single case so returned shall not lie around in some out-of-the-way corner until it is neglected entirely. Every item of such nature should be kept on an open file and examined daily until adjusted and marked off.

issuance of a credit memorandum, prepared in triplicate; the original is forwarded to the customer, the duplicate sent to the accounting department and entry made therefrom for a credit to the customer's account; the triplicate is filed for reference by the complaint department. For those cases in which goods have been lost or damaged in transit, the charge against the customer must be remitted and transferred to Suspense Account pending a settlement with the carrier.

A Source of Fraud.—Returns and allowances have been a prolific source of fraud. Dishonest cashiers, converting to their own uses cash paid in settlement of accounts, have, in order to balance the debtor's account, passed an entry through the books crediting the customer and debiting merchandise; the explanation, if any, would read: "Goods returned." This was a simple device for covering fraud, and in small concerns where the cashier was also the general bookkeeper and no professional auditor was retained, such a process might be continued indefinitely without detection.

In order to minimize the danger from this source, a complete separation of the cashier's and bookkeeper's departments is essential, and in addition each item contained in the Returned Goods Register should bear the approval of some one high in authority, preferably, where feasible, that of a member of the firm.

